

(1) The Government of the United States of America reserves the right to impose, for purpose of internal control and control of import into and export from territory under its jurisdiction, of opium, coca leaves, all of their derivatives and similar substances produced by synthetic process, measures stricter than the provisions of the convention.

(2) The Government of the United States of America reserves the right to impose, for purposes of controlling transit through its territories of raw opium, coca leaves, all of their derivatives and similar substances produced by synthetic process, measures by which the production of an import permit issued by the country of destination may be made a condition precedent to the granting of permission for transit through its territory.

(3) The Government of the United States of America finds it impracticable to undertake to send statistics of import and export to the permanent central opium board short of 60 days after the close of the 3-month period to which such statistics refer.

(4) The Government of the United States of America finds it impracticable to undertake to state separately amounts of drugs purchased or imported for Government purposes.

(5) The plenipotentiaries of the United States of America formally declare that the signing of the convention for limiting the manufacture and regulating the distribution of narcotic drugs by them on the part of the United States of America on this date is not to be construed to mean that the Government of the United States of America recognizes a régime or entity which signs or accedes to the convention as the government of a country when that régime or entity is not recognized by the Government of the United States of America as the government of that country.

(6) The plenipotentiaries of the United States of America further declare that the participation of the United States of America in the convention for limiting the manufacture of and regulating the distribution of narcotic drugs, signed on this date, does not involve any contractual obligation on the part of the United States of America to a country represented by a régime or entity which the Government of the United States does not recognize as the government of that country, until such country has a government recognized by the Government of the United States of America.

Mr. ROBINSON of Arkansas. Mr. President, I think it should be stated to the Senate that the treaty is believed to represent a distinct forward movement in the control of the manufacture of narcotic drugs and the distribution of such drugs through the channels of commerce. The principal process is the requirement that no shipment shall be received in the territory or jurisdiction of the respective signatories except upon certificate showing that the amounts so received are limited to the medicinal requirements of the country. There are some important considerations connected with the reservations which I do not deem it necessary at this time to discuss.

The PRESIDENT pro tempore. The question is on agreeing to the resolution of ratification. [Putting the question.] Two-thirds of the Senators present and voting having voted in the affirmative, the resolution of ratification is agreed to, and the Senate advises and consents to the ratification of the treaty.

POSTMASTERS

The legislative clerk proceeded to read sundry nominations of postmasters.

Mr. ODDIE. I ask unanimous consent that the postmaster nominations be confirmed en bloc.

The PRESIDENT pro tempore. Is there objection? The Chair hears none, and all postmaster nominations on the calendar are confirmed en bloc.

RECESS

Mr. FESS. As in legislative session, I move that the Senate take a recess until 12 o'clock to-morrow.

The motion was agreed to; and the Senate (at 4 o'clock and 50 minutes p. m.) took a recess until to-morrow, Friday, April 1, 1932, at 12 o'clock meridian.

CONFIRMATIONS

Executive nominations confirmed by the Senate March 31 (legislative day of March 23), 1932

POSTMASTERS

MINNESOTA

Philip P. Palmer, Backus.
Paul B. Sanderson, Baudette.
Martin Leet, Blackduck.
Agnes Doyle, Bovey.
Henry H. Lukken, Boyd.
Carl Adams, Brainerd.
Nellie M. Watkins, Clinton.

Eva Cole, Delavan.
Edith B. Triplett, Floodwood.
Nels O. Strommen, Halstad.
Olaf Syverson, Hancock.
Herbert L. McChesney, Hewitt.
Gay C. Huntley, Hill City.
George W. Pfeiffer, Holloway.
Lewis H. Merrill, Hutchinson.
Louis W. Galour, Iona.
Adolph C. Gilbertson, Ironton.
Olaf T. Mork, Madison.
Clara M. Hjertos, Middle River.
Francis S. Pollard, Morgan.
Louis Vinje, Morris.
John A. Hilden, Oslo.
Frank X. Virnig, Pierz.
Lucien M. Helm, Tower.

UTAH

Walter S. Joseph, Beaver.
Joseph W. Johnson, Layton.

HOUSE OF REPRESENTATIVES

THURSDAY, MARCH 31, 1932

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

Most Gracious God and Father, do Thou grant us a large portion of Thy wisdom that we may do the work intrusted to us; to fulfill our duty is a morality that has its own value. Thy laws are just and holy, and to violate them is to involve our souls in guilt. The Lord God forgive and bless us with that gladness and satisfaction that come from renewed thought, power, and desire. May we this day give full proof of our integrity and of a conscience that needeth not to be ashamed. O fill us with the visions, the charities, and the enthusiasms of a new life. Crown us with the conquering energy of truth that vindicates itself, setting forth commanding ideals from which spring the power that changes man and remodels society. Do Thou dominate us this day by the sovereign love and wisdom of grace divine, and unto Thee be eternal praises. Amen.

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate by Mr. Craven, its principal clerk, announced that the Senate had passed the following concurrent resolution, in which the concurrence of the House is requested:

S. Con. Res. 23. Concurrent resolution requesting the President of the United States to return to the Senate the enrolled bill (S. 3322) entitled "An act to transfer certain jurisdiction from the War Department in the management of Indian country."

CALL OF THE HOUSE

Mr. RANKIN. Mr. Speaker, I make the point of order that there is no quorum present.

The SPEAKER. The gentleman from Mississippi makes the point of order that there is no quorum present. Evidently there is not.

Mr. CRISP. Mr. Speaker, I move a call of the House.

The motion was agreed to.

The doors were closed.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 36]

Abernethy	Chindblom	Douglas, Ariz.	Igoe
Beam	Chiperfield	Douglass, Mass.	Johnson, Ill.
Beck	Clancy	Eaton, N. J.	Kading
Beedy	Cochran, Pa.	Free	Karch
Beers	Collier	Freeman	Keller
Britten	Connery	Goldsborough	Kelly, Ill.
Brumm	Cooke	Granata	Kendall
Burdick	Crump	Hancock, N. C.	Kennedy
Cable	Curry	Hart, Mich.	Kurtz
Chapman	De Priest	Houston	Lewis
Chase	Dieterich	Hull, William E.	Lindsay

McFadden	Palmisano	Selvig	Tinkham
McMillan	Partridge	Shannon	Tucker
Magrady	Reid, Ill.	Smith, W. Va.	Underwood
Manlove	Sabath	Snell	Vestal
Miller, Ark.	Sanders, N. Y.	Snow	Watson
Nelson, Me.	Schultz	Strong, Pa.	Weeks
Owen	Seger	Tilson	Wood, Ga.

The SPEAKER. Three hundred and sixty-one Members have answered to their names, a quorum.

Mr. CRISP. Mr. Speaker, I move to dispense with further proceedings under the call.

The motion was agreed to.

The doors were opened.

ELECTION TO COMMITTEES

Mr. CRISP. Mr. Speaker, I offer the following resolution, which I send to the desk.

The Clerk read as follows:

House Resolution 176

Resolved, That L. RUSSELL ELLZEY, of Mississippi, be, and he is hereby, elected a member of the following-named standing committees of the House of Representatives: Education, Labor, Claims, and Civil Service.

The resolution was agreed to.

REVENUE ACT OF 1932

Mr. CRISP. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill (H. R. 10236) to provide revenue, equalize taxation, and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the further consideration of the revenue bill, with Mr. BANKHEAD in the chair.

The Clerk read the title of the bill.

Mr. CULLEN. Mr. Chairman, when the House adjourned last night there was an agreement in regard to the amount of time that was to be used in the discussion of the amendment respecting the stock-transfer tax. Since that time I have found that several members of the New York delegation and others desire to discuss the amendment at some length. I am just as anxious as any man in the House not to waste a moment of time, but to get the bill out of the House and over to the Senate as quickly as possible. However, I ask the acting chairman of the committee, whether, owing to the importance of this problem and what it means to the great financial institutions of New York City, he would not be willing to at least give us 40 minutes instead of 20 minutes in which to discuss the amendment?

Mr. CRISP. Mr. Chairman, the committee yesterday by a vote closed debate on this amendment in 30 minutes. Ten minutes of that time were consumed yesterday, which leaves 20 minutes. I realize the importance of this amendment to the gentlemen from New York. Therefore I ask unanimous consent that the time for debate be extended from 20 minutes to 40 minutes.

The CHAIRMAN. Is there objection?

Mr. BLANTON. I reserve the right to object.

Mr. LaGUARDIA. Mr. Chairman, reserving the right to object, will that be 20 minutes on a side?

Mr. CRISP. Twenty minutes on a side, the debate to be closed on that amendment and all amendments thereto.

Mr. LaGUARDIA. I have an amendment to offer. If the pending amendment is adopted, I have an amendment which is quite important and I hope the gentleman's motion will simply apply to the pending amendment.

Mr. CRISP. The motion was made last night and agreed to that all debate close on this amendment and all amendments thereto in 20 minutes. That will not prevent the gentleman from offering his amendment.

Mr. BLANTON. Mr. Chairman, I reserve the right to object. I have a bona fide perfecting amendment to offer to the committee amendment, and I shall want not over two minutes of time.

The CHAIRMAN. The Chair will recognize the gentleman from Texas for that purpose.

Mr. CRISP. I myself shall not ask for a moment of time. The CHAIRMAN. Is there objection?

Mr. CELLER. Mr. Chairman, reserving the right to object, will the gentleman tell me whether or not there will be time accorded to members of the New York delegation, so that those who have already spoken on the amendment shall not be given any more time?

Mr. CRISP. The distinguished Chairman of the Committee of the Whole is fair, and recognition will be entirely in his discretion.

Mr. LaGUARDIA. I have an amendment which will meet the threat now being made to transfer activities to other countries, and I think I ought to have a few moments in which to explain it to the House.

Mr. CRISP. I hope the gentleman will be recognized for that purpose.

The CHAIRMAN. Is there objection to the request of the gentleman from Georgia?

There was no objection.

Mr. BLANTON. Mr. Chairman, I offer a perfecting amendment.

The CHAIRMAN. The gentleman from Texas offers an amendment, which the Clerk will report.

The Clerk read as follows:

Amendment offered by Mr. BLANTON: In line 3 of the Crisp amendment strike out the words "one-fourth of."

Mr. BLANTON. Mr. Chairman, I desire only two minutes. The purpose of my amendment is to make the tax on gambling transactions on stock exchanges 1 per cent instead of the one-fourth of 1 per cent proposed by the committee. In my judgment the gambling transactions on Wall Street and the stock exchanges are more responsible for the general depression and for the breaking of banks all over the United States than all other causes combined. Banks have broken everywhere, either because their customers, who owed them money and who borrowed money for that purpose, have been gambling on the stock exchanges or else because the bank officials themselves have been doing so.

I do not believe that a tax of 1 per cent would be unreasonable. I do not believe that a tax of 1 per cent would stop one single gambling transaction on any stock exchange. You will be placing the tax and the burden of taxation where it rightfully belongs and where it will be the least felt.

There is never any complaint from any gambler as to what the kitty takes out of the pot. This is taking out of the pot for the kitty and the kitty is the Government of the United States.

My amendment, instead of producing merely the \$65,000,000 suggested by the committee, would produce revenue of at least \$250,000,000, and we certainly need revenue.

I hope my amendment will pass.

[Here the gavel fell.]

The CHAIRMAN. The Chair recognizes the gentleman from New York [Mr. BACON] for five minutes.

Mr. BACON. Mr. Chairman, I do not live in New York City; I have no connection with any banking house, brokerage house, or with the New York Stock Exchange. I have never sold a share of stock on margin, either long or short, in my life—I do not pretend to be an expert on this subject.

I do, however, want to draw two matters to your attention. First of all, I want to challenge the amount of suggested revenue that this tax will bring in. I understand that the gentleman from Arkansas yesterday suggested that it might bring in \$75,000,000. However, I believe that the law of diminishing returns will begin to operate if this tax is adopted, because of excessive costs and a decrease in turnover. I want to show you the effect of the increase in the New York State tax from 2 cents to 4 cents, which increase went into effect on the 1st of March. This morning I received accurate figures for January, February, and March showing the total volume in value of sales on the New York Stock Exchange. These figures conclusively prove that there was a decrease of 30 per cent in March over the month of February, evidently directly due to the increase in the New York tax from 2 to 4 cents.

Mr. RAGON. Will the gentleman yield?

Mr. BACON. Gladly.

Mr. RAGON. I would suggest to the gentleman that during the last week of February, before the new tax rates went into effect, the sales were smaller than they were the first two weeks in the month of March. That was admitted the other night by the attorney of the New York Stock Exchange. He said that the first two weeks under that new law showed a greater volume of sales than during the last week in February, before the new law went into effect.

Mr. BACON. I am drawing a comparison between the total business month by month. In January it was \$1,566,000,000; in February, \$1,649,000,000; and in March, \$1,178,000,000, or a decline of over 30 per cent in March over February. This decline is directly attributed to the increase in the New York State tax from 2 cents to 4 cents.

I submit that if you adopt this proposed tax, which in some cases will increase the present Federal tax from 100 to over 1,200 per cent, you will have a further decrease in volume; and the most conservative estimate is that this tax will hardly bring in the same amount of money that the present Federal 2-cent tax brought in during 1931. In 1930, for example, the 2-cent tax brought in \$46,500,000, and in 1931 the 2-cent tax brought in \$25,500,000. Theoretically, if you double the 2-cent tax and the volume remains the same, you might expect to provide \$50,000,000 of revenue; but the law of diminishing returns will apply, and I feel sure that even a 4-cent tax would result in a 30 per cent decrease in the volume of business on top of the 30 per cent decrease caused by the increased New York tax. I prophesy here and now that you will be lucky if you get as much out of this contemplated tax as you are getting from the present 2-cent tax, or approximately \$25,000,000.

This curtailment of business on the exchanges of the country will be brought partially, but very directly, through the curtailment of transactions in American securities for the account of foreign investors. A large volume of business on the New York Stock Exchange is done for purely foreign account, and not domestic account. All of the stocks listed on the New York Stock Exchange are also listed on the London Stock Exchange. It is reasonable to suppose and expect that most of this foreign business that is now going to the New York exchange will gravitate to the London exchange, and thus add to the decreased volume that will be brought about by contraction of the domestic business.

After all we want to raise money; we want to raise revenue. I want to balance the Budget. I honestly believe that the way to raise money out of the security exchanges of this country is by a reasonable tax that will not cause a decrease in the volume of business. You can not get a tax out of destroyed business. A small tax and a big volume of business will yield more money than a high tax and a small volume of business.

This tax will not be paid by the broker or member of the exchange but will be paid by the individual investor or business corporation, commercial banks, savings banks, insurance companies, and the like, throughout the country. Some people have the mistaken notion that the security-exchange business practically all originates in New York. Let me point out here that it is conservatively estimated that not more than 30 per cent of the transactions on the New York Stock Exchange originate in New York. The remaining 70 per cent originates in the other States of the Union as well as in foreign countries. The individual who has money to invest will not be inclined to invest it in the business life of the country, represented by the securities listed on the exchanges throughout the land, if you are going to ask him to pay practically a confiscatory tax. The net result will be that capital so needed in the business life of the country will not be forthcoming and the volume of business in the security markets will decrease to a minimum.

As a revenue producer, this tax, it is my prediction, will be a failure.

This brings me to the second point I wish to discuss, namely, the unemployment situation which will be brought about by the imposition of this suggested tax. Very few

security-exchange houses, I am informed, are to-day more than meeting expenses. This added tax burden will have the effect of forcing many of them out of business entirely. Others will have to curtail largely their overhead which will mean the forced and reluctant dismissal of thousands of employees.

This tax will not only affect brokerage houses but it will affect every essential business interested in the sale and purchase of securities. And besides that, it will affect adversely every instrumentality that has contributed to making this country the leader of the world's security business. It will tend to destroy one of the finest organizations ever brought together. The telephone companies, the telegraph companies—and these two agencies perform a tremendously important part in the business of security exchanges—insurance companies, savings banks, commercial banks, trust companies, and many other businesses will be very adversely affected by this tax. This again will add to unemployment. The family of people supported by the security-exchange business of the United States is a very large one. I am not objecting to a reasonable tax, but I am objecting to a tax that will fail of its purpose and force the disintegration of one of the finest organizations in the world with tremendous hardships to the thousands that will be forced out of employment.

As you all know, there is great unemployment to-day in New York, particularly in the so-called white-collar class. This tax will put thousands more of this long-suffering group out of employment.

Any tax that increases the present rates from 100 per cent to 1,200 per cent and over certainly approaches confiscation. It dries up the business on which it is supposed to feed, and in this case I do not believe it will add anything to the revenues of the Government. This tax will prolong rather than shorten the depression. I am not thinking of the simple annoyance that such a tax on business may provoke, because I would be in favor of any tax that would not decrease or hurt the business affected if it raised the necessary revenue; however, this tax goes much farther and will tremendously curtail if not practically destroy a legitimate and necessary service to the business life of the country and without, in my estimation, bringing the Government an added dollar of revenue.

[Here the gavel fell.]

Mr. O'CONNOR. Mr. Chairman, I rise in opposition to the amendment taxing transactions of the stock exchanges of the country. I desire the membership of the House to realize that the stock exchanges are in many cities other than New York. They are in Philadelphia, Baltimore, Buffalo, Cleveland, Pittsburgh, Cincinnati, San Francisco, Los Angeles, Detroit, St. Louis, New Orleans, Milwaukee, Minneapolis, and Seattle.

We have heard it repeated for weeks that all taxes are unpopular. Some taxes are mean, however. Some taxes are nothing more or less than an assault on some kind of business. Some taxes are conceived in a spirit of meanness, a spirit of envy, or a spirit of destruction. If taxation can destroy, of all the taxes suggested in this bill, this is one of them that may destroy and is intended to destroy.

Practically every Member stood up the other day and agreed to balance the Budget. Everybody is for that. There are countless ways you can balance the Budget. Some are fair. Others are grossly unfair. I will tell you one way you can balance the Budget. Tax everybody in New York City, the 6,000,000 people there, \$200 apiece and you will get \$1,200,000,000 and balance your Budget. You are nearly doing that with your special excise taxes and postage increase.

There have been frequent boasts that this bill "soaked the rich." A tax like this item is soaking business as conducted in the metropolitan centers of the country.

This is not a tax on stock-exchange transactions. I want the Members of the House to get this definitely. This is an indirect attempt, a subterranean attempt, to stop short selling on the market. When the Judiciary Committee of this House is considering that problem right now, this is an

attempt by taxation to destroy something that committee has not yet found to be improper.

If in the stock exchanges of this country they are conducting their business improperly or illegally, why do you not go right after it and pass a law to stop it? Why do you try by indirection to tax them out of business?

Now, here is what is happening, and I direct this particularly to the Members from the mining country. The quotations on practically every mining stock are from 4 to 10 cents, yet there will be a tax of 12 cents on each share, 4 cents State transfer, 4 cents Federal transfer, and 4 cents on the transaction under this amendment. Surely that will destroy all transactions in mining shares.

Mr. RAGON. If the gentleman will permit, we have an amendment that will be brought forward following this amendment that will take care of that situation.

Mr. O'CONNOR. I hope so.

This amendment will destroy all arbitrating in the market. While many people think arbitrating a matter of buying rights and selling stock, arbitrating in the market is often necessary to sustain our domestic markets against London, Berlin, and other foreign markets. In arbitrating there is rarely more than one-eighth of a point margin in such a transaction.

Now, here is what is going to happen if you pass this amendment. Stocks will not be quoted 60 to 60½, for instance, but they will be quoted 60 to 64. They will be quoted like bank stocks. There will have to be a wide margin between the bid and asked price. Furthermore, there will be no dealing on the floor of the exchange between brokers to maintain the liquid value of stocks, which is an important part that the exchanges play in this country.

I believe this is the most important tax item in the tax bill, important because of its effect on the business of the country. Dealings on the stock exchanges between brokers where there is only one-eighth of a point involved, is one of the foundations of sustaining the business values of this country. These dealings sustain the liquid value of the securities of the country and enable the carrying on of business. You now propose to destroy these dealings because the margin will be wiped out by taxation.

Furthermore, there are other inequalities in the amendment. A man who buys a \$100 share of stock pays 25 cents in this tax. A man who buys a \$10 share pays 4 cents. Yet a man who buys ten \$10 shares pays 40 cents, as against the 25 cents which the other man pays on one \$100 share.

This inequality shows, and I say this respectfully, ill consideration of the matter and an absolute misconception of the transaction of business on the exchanges of this country.

Furthermore, it is well known that all the exchanges have been as hard hit in the employment situation as almost any of the industries of the country, and this tax will cause further unemployment.

I appeal to you Members who come from the great metropolitan business centers of this country to stand up and defeat this unfair and pernicious item of taxation. [Applause.]

Mr. STOKES. Mr. Chairman, I hope we shall pass the committee amendment. I believe if the higher charges were put on transfers of stocks and bonds, it would prove to be a lower revenue producer, because instead of going to New York or Philadelphia, the stock transfers would go to London or Montreal, where they have a lower tax. So in the end we would have a lesser revenue than if we charged a lower amount. [Applause.]

Mr. CELLER. Mr. Chairman, analyzing the amendment that has just been brought in by the subcommittee of the Ways and Means Committee, we find this situation: Whereas under the present statute the tax on a transfer of one share worth \$100 is 2 cents, under this proposed subcommittee amendment it would be 25 cents, which would multiply the tax twelve and a half times. A stock worth \$50 would bear a tax of six and a quarter times the present tax. The 17,000,000 security holders of this country—and there are

more than 17,000,000—will suffer a dreadful disadvantage if you place this heavy burden of taxation upon them.

This subcommittee is ill-advised. It is enthusiastically misguided. I venture the assertion that its proposal was not adequately and fully considered by the full Ways and Means Committee. It can not be properly, in this short debate, considered by the Committee of the Whole.

We know that most of the securities of the large corporations have a very wide distribution. For example, the American Telephone & Telegraph Co. in 1931 had over 642,000 shareholders. The Pennsylvania Railroad Co. in 1931 had over 243,000 shareholders, and all the large corporations have just as vast a number of shareholders scattered throughout the land, and you are laying the heavy hand of taxation upon all of them.

The total value of all the securities on the various 25 exchanges in 1931 was over \$60,000,000,000—let these figures sink in—over \$60,000,000,000 on all securities on these exchanges. As soon as you pass this one-fourth of 1 per cent provision, you reduce that value immediately by almost one-fourth of 1 per cent, or almost \$150,000,000. Just by one fell swoop you reduce the value of all securities by approximately \$150,000,000, let alone the liquidations that will follow in the train of this tax.

You watch the stock-exchange transactions to-morrow and the day after, and you will see whether or not there will not be a tremendous liquidation of all the stocks and all manner of securities, as the result of this tax. You can not expect to be relieved of the baneful effects of the depression, unless and until men with wealth, men with money, are willing to come back and put their money into industry. You put this tax on, and you frighten these men, you prevent their coming back into industry and trade, and in that sense you further continue the depression. How can you attract men of power and wealth away from their tax-exempt securities and induce them to invest in securities of large mills and factories—securities of corporations employing myriads of employees?

England, when she balanced her budget, did not put one cent of tax on the transfer of shares. England, wiser than we, with an older civilization than ours, was faced with difficulties far greater than ours, was faced and is faced with embarrassments, financial and political, at home and abroad, yet it never sought to tax security transfers where the stock was payable to bearer. It did put a trifling tax where the securities were registered in the name of the owner. We might well take a page out of England's book. She realizes that free and easy transfer of securities is necessary for the life of trade and to encourage commerce and industry.

Canada has the same difficulty as we, and her taxes are less than ours to-day.

Mr. DICKSTEIN. Will the gentleman yield?

Mr. CELLER. I yield.

Mr. DICKSTEIN. When a merchant desires to transfer his stock, to put it into legitimate business, he would be penalized.

Mr. CELLER. No doubt about it.

Most of those advocating this stupendous increase are interested not so much in revenue as they are in embarrassing if not preventing short selling. This is manifest from the remarks of some of the gentlemen, like Mr. McCLINTIC of Oklahoma.

All economists recognize the efficacy of short selling to stabilize and cushion the market (grain, cotton, stocks) and to prevent precipitous declines. There may have been some abuses in the practice. But here you penalize the benefactors and malefactors alike.

Let me illustrate the penalty you place upon short selling. Broker A is authorized by his customer X to sell 100 shares of Steel short. Say, Steel is quoted at \$100, making the amount \$10,000. A has not the stock. He borrows it from broker B. Under the amendment A pays 4 cents per share, or \$4 on the hundred shares. On the borrowing of stock the one-fourth per cent does not apply. It can not, because no value is given, as in a sale. A now has the stock. He sells it to broker C. On that sale there is

a tax of one-fourth per cent, or \$25 (one-fourth per cent of \$10,000. After a time—a week or a month—broker B demands of broker A the return of the 100 shares borrowed. A must go into the market and buy. He buys 100 shares of Steel from broker D. On that purchase the amendment impresses a tax of one-fourth per cent, or \$25. On this transaction of short sale of 100 shares of Steel there has been imposed first \$4, then \$25, and then \$25 again as tax, \$54 in all. Short selling can not live, much less thrive, under such conditions.

Every time the Government interferes with short selling the cure becomes worse than the disease.

In 1896 the German Government, heeding a hysterical cry against short selling, placed heavy burdens upon that practice in the form of taxes and otherwise. What was the result? Bootleg brokers continued their short selling in concert halls and in other places where they could foregather in groups. They formed "rump" exchanges; the Government lost the taxes, legitimate traders were unable to compete and transferred their business to other marts and exchanges, namely, to Paris, London, and Brussels. Germany was compelled to repeal the statute. But the Berlin exchanges never recovered their lost prestige. The business never came back. In 1864 the United States tried it. Secretary of the Treasury Chase induced the Congress to prevent short selling in gold futures. The charge was made that short selling was boosting the price of gold unduly (it is a strange anomaly that at the present moment people are complaining that short selling has depressed prices, whereas in 1864 they blamed short selling for increasing prices). The bill against gold futures made confusion worse confounded. Within a brief period after the statute was passed Chase went back to Congress begging for a repeal of the statute; it had proved of no avail. Congress repealed the act. New York tried the experiment also. It passed a prohibition against short selling in 1812. It soon recognized its error, however, and repealed the statute.

Every dozen years or so there is a howl against short selling, and then the howl dies down. Short selling always becomes the scapegoat. There was a fierce hue and cry against short selling just after the panic of 1907. Governor Hughes, of New York State, now Chief Justice of the United States Supreme Court, appointed a committee to investigate speculation on the security and commodity exchanges. This is what the committee stated about short selling:

We have been strongly urged to advise the prohibition or limitation of short sales, not only on the theory that it is wrong to agree to sell what one does not possess but that such sales reduce the market price of the securities involved. We do not think that it is wrong to agree to sell something that one does not now possess, but expects to obtain later. Contracts and agreements to sell and deliver in the future, property which one does not possess at the time of the contract, are common in all kinds of business. The man who has "sold short" must some day buy in order to return the stock which he has borrowed to make the short sale. Short sellers endeavor to select times when prices seem high in order to sell, and times when prices seem low in order to buy, their action in both cases serving to lessen advances and diminish declines of price. In other words, short selling tends to produce steadiness in prices, which is an advantage to the community. No other means of restraining unwarranted marking up and down of prices has been suggested to us.

The Senate and two committees—Judiciary and Agriculture—have had bills affecting short-sale restrictions; no action has been taken. Now, without hearings, heedless of results, you pell-mell rush headlong to tax short sales so high as to make the practice almost prohibitive.

I call that a stab in the dark.

TRADING WILL BE TRANSFERRED TO OTHER COUNTRIES

The grain futures act transferred trading to Winnipeg. Interfere with cotton futures in America and trading will be transferred to Liverpool. Merchants and brokers properly will do business where it may be done with least expense, least tax, least restrictions.

When New York State taxed stock transfers 2 cents per share, New York lost and Chicago gained. Much of the trading went to the Chicago Board of Trade. New York has

now doubled the tax. It is now 4 cents. More trade will be lost.

Fifty per cent of clerks, messengers, bookkeepers, accountants, stenographers, telephone operators, telegraphers formerly employed at stock exchanges are now out of employment.

By this legislation you will cut business in half, resulting in more unemployment—more depression.

The exchanges afford: (1) An active market to insure ready sale and purchase—insures liquidity, for millions of securities held by 17,000,000 security holders, banks, insurance companies; (2) an active market for sale of issues to raise necessary capital for business and manufacturing and railroads.

Securities have never in recent years been lower. New York Central is to-day selling at 24, whereas in 1929 it was selling at 240.

Tax of one-fourth of 1 per cent will greatly narrow the active market by reducing trading. Liquidation will be tremendous; stocks will go lower; depression will be prolonged.

I am strongly of the opinion that such a tax would not only fail, in so far as the amount of revenue received is concerned, but would also have the tragic result of drying up the securities markets to such an extent that investors who would want to sell would be forced to sacrifice their holdings, and in case they want to buy, would be forced to pay sharp advances in order to obtain the securities they want.

Any tax to be successful taxation must bring in revenue. It must not be so great that it would cause the transaction taxed to disappear or be reduced to such small volume as to make the tax unproductive.

In my opinion, the present volume of transactions on the securities exchanges is composed very largely of purchases and sales made by professional or semiprofessional operators, traders who buy and sell securities, striving for small profits, such as one-eighth of a point to 1 point. The operations of these operators make it possible for investors to buy or sell securities without undue fluctuations in prices, and they are, therefore, responsible, to a large degree, for the maintenance of a broad market, so essential to investors.

The tax of one-fourth of 1 per cent on 100 American Telephone & Telegraph, selling at, say, 110, would be \$27.50, or equivalent to a fluctuation of more than one-fourth dollar per share (other stocks in proportion).

It is easy to see that the operators above referred to could not function if they were forced to pay that amount of tax in addition to the \$6 per 100 Federal and State taxes already assessed. If the object of Congress is to dry up the securities markets, the proposed tax would probably do it—causing, possibly, further liquidation and still lower prices—but as a tax for revenue it certainly would fail, as there would soon be very few transactions to tax.

Rant and rail at the speculators all you wish, but remember they make for a wide and free market. Banks, for example, must be able to sell at all times at all levels. They could not unless speculators were always in the market to buy, ready to risk their judgment against the market. If investors want to buy, the speculators are there ready to sell—again risking their judgment against that of the purchasers.

Professor Hadley, of Yale, in his notable work on economics, made the following observations:

The industrial development of the last three or four hundred years, rightly interpreted, is an account of the reasons which have led society to put the control of its industry into the hands of a body of speculative investors.

This brief summary from such an authority should furnish convincing evidence that speculation was not devised as an instrument to indulge the sporting instincts of adventurous individuals. Organized speculation, as it is conducted on the exchanges of the world to-day, performs a function that results in vast economies for the financing of modern industry. In the case of commodities, it furnishes the producer, merchant, and manufacturer with the means for insurance against unfavorable price changes, and thus it permits the transaction of business at a greatly reduced cost

of distribution, with enormous benefit to both producer and consumer.

Unfortunately, Wall Street is a barometer. It should not be. I warn the gentleman, let stocks drop lower and you will rue the day. The public will judge general conditions by Wall Street prices. Depression will become a panic—deep, abysmal panic.

Thank goodness, the Senate must pass upon all this. I hope better counsels will prevail there and that this proposal will be ditched.

This tax is a capital levy on gains and losses.

It is no tax on consumption or income.

It has no relation to ability to pay.

It makes no distinction between distressed seller or profit taker, between investors or gamblers; all pay alike.

It ought not pass.

Mr. HARLAN. Mr. Chairman—

The CHAIRMAN. For what purpose does the gentleman from Ohio rise?

Mr. HARLAN. I rise to ask unanimous consent to withdraw my amendment as a substitute for the committee amendment introduced last night.

The CHAIRMAN. Without objection, the amendment will be withdrawn.

There was no objection.

Mr. FULLER. Mr. Chairman and members of the committee, about two weeks ago I made a speech here advocating one-half of 1 per cent. I am not very much of an authority on the stock exchange, but I have given it some consideration and some thought. I think the amendment brought in by the committee will not hurt them and should be adopted.

Under the law the State of New York tax is 4 cents on \$10 stocks. The Government takes 2 cents, and we are doubling the Government rate. That will make 8 cents. That will be 8 cents on a \$10 share. You are talking about taxing hundred-dollar shares. Those shares on the stock exchange are almost as scarce as hen's teeth, but that tax would amount to 29 cents, being 25 cents for the United States and 4 cents for the State of New York.

If New York can afford to collect her tax, can not the United States afford to collect its tax. Of course, we do not expect the New York delegation to stand up and defend this tax. All this talk about the exchanges going to Canada is tommyrot. It is not going to hurt legitimate business in any way. If I, for instance, send in a telegram to a broker and tell him to buy me \$1,000 worth of General Motors, he would do it and pay the tax of \$2.25, and he would then pass it on to me. Here is the only way that it is liable to hurt a broker, and any one of them will tell you so. They do business among themselves. The members of stock exchanges feel the effect of the hard times as well as everybody else, and they go into the market, buy from one another, buy short, trying to make a profit of a quarter, a half, or three-quarters of a cent in order to make expenses. Of course, they can not do quite as much buying and selling to one another as they would do otherwise, but it will not injure legitimate business.

Mr. BACON. Mr. Chairman, will the gentleman yield?

Mr. FULLER. Yes.

Mr. BACON. I believe this increased tax will make it very much more difficult for business concerns throughout the country, manufacturers and others, to raise necessary money.

Mr. FULLER. What particular business?

Mr. BACON. Any business.

Mr. LaGUARDIA. Mr. Chairman, will the gentleman yield?

Mr. FULLER. In order to reply to my colleague?

Mr. LaGUARDIA. In order to reply to my colleague. This would not affect an original issue.

Mr. FULLER. I can not see why any legitimate business would be hurt. The only man who could be hurt would be a man who has some stock selling at about a dollar per share, and he is so small that he ought not to be on the market, anyway. He would have to pay 8 cents on every \$1 share. The average stock being sold on the stock exchange

runs about \$17 a share, and on the curb it averages \$11 a share. Nobody is going to be hurt by a little thing like this. They will pass it on just like they pass these excise taxes on.

Mr. BACON. It is estimated that less than 30 per cent of the business on the New York Stock Exchange originates in New York City.

Mr. FULLER. That is true. They are bleeding the people all over the country. Some people think it would be a good idea if there were no stock exchanges. There is a diversity of opinion on that question, but I am not going to argue that question for the purpose of sustaining the contention of the committee. Their business comes from the people out in my country and all over this country—suckers who do not know anything about the market and who are anxious to take a gamble and speculate. Of course, brokers can act legitimately in transactions, and most of them do. At the same time they manipulate the market. If I wire in to them and they know my standing is good, and I send them a check and produce the money, they do not care whether I am a sucker or not. If I send them stock to sell, they act as brokers and charge me the Government tax on the sale. As brokers they pay no tax, simply collect it for the Government.

Mr. BLACK. I want to say the gentleman is no sucker himself after getting that drought relief bill for Arkansas.

The CHAIRMAN. The time of the gentleman from Arkansas has expired.

Mr. MILLARD. Mr. Chairman, I hope the amendment will not prevail. I am opposed to this amendment. Within the last hour I have received 100 letters and 50 telegrams. I represent the first district outside of the city of New York—the counties of Rockland and Westchester. The people in my district are of the highest intelligence. I have received letters from people in every walk of life—bankers, brokers, clerks, stenographers—and they all say the same thing. The trend of thought in these letters and telegrams is that the stock exchange can not stand this extra tax, that business there can not stand the strain of the extra tax on securities. Here is a sample telegram and also a sample letter:

NEW YORK, N. Y., March 30, 1932.

HON. CHARLES D. MILLARD,

House of Representatives, Washington, D. C.:

Business can not stand strain of increased tax on security sales. This feature, if enacted, will defeat its own purpose, as shrinkage in volume will offset tax increase with result of no increase in revenue. Tens of thousands of clerks will lose jobs. Situation will become worse than ever.

MARCH 30, 1932.

The Hon. CHARLES D. MILLARD,

Office of House of Representatives, Washington, D. C.

DEAR SIR: I am a resident of Larchmont, Westchester County, N. Y., where I own my home and vote. I also own and pay taxes on some seventy-odd acres at Croton Lakes, Westchester County, N. Y., which is also in your district.

I have been an employee in the stock-brokerage business for over 30 years and because of that long experience I feel that my opinion may be of some value to you.

I wish to enter a most emphatic protest against the possible passage of the bill calling for a quarter of 1 per cent tax on stock sales, as I am confident that if it is adopted there will be hundreds of thousands of men and women employed by stock brokers thrown out of work and that it will also definitely stifle any attempt to raise new money for general commercial purposes, which, in my opinion, will be a blow to our hope of overcoming the present terrific depression from which, I believe, our country can not recover.

Mr. Chairman, I wish to protest strongly against the provision in the proposed revenue bill levying a tax of one-fourth of 1 per cent on stock transfers. The tax will raise but little revenue, as such a heavy impost would be prohibitive of all except a very small volume of stock sales; that it would so restrict our existing security markets as to seriously affect the liquidity of bank loans and greatly contract the market for all securities, including Government securities. It would also accentuate a grave situation by increasing the number of unemployed by the thousands of employees who would be thrown out of work all over the country by the virtual paralysis of the security exchanges and relative businesses. I sincerely believe that this provision in the revenue bill should not be adopted.

Mr. LaGUARDIA. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. LaGUARDIA. Is the amendment offered by the gentleman from Arkansas an original amendment, or is it an amendment to the amendment?

The CHAIRMAN. The parliamentary situation is that there is a committee amendment pending offered by the gentleman from Arkansas. To that the gentleman from Texas [Mr. BLANTON] has offered a perfected amendment.

Mr. LaGUARDIA. Would an amendment to the amendment offered by the gentleman from Arkansas be now in order?

The CHAIRMAN. An amendment to the Blanton amendment would not be in order at this time.

Mr. STAFFORD. Mr. Chairman, I ask for a vote on the Blanton amendment.

The CHAIRMAN. The gentleman from Wisconsin demands the regular order, which will be a vote on the Blanton amendment. The question is on the amendment offered by the gentleman from Texas.

The amendment was rejected.

Mr. LaGUARDIA. Mr. Chairman, I offer the following amendment to the amendment, which I have sent to the desk and ask to have read.

The Clerk read as follows:

(b) The tax provided for in subsection (a) shall be imposed on all sales, agreements to sell, and/or memoranda of sale or delivery consummated entirely within the United States or between citizens or residents of the United States; and in addition, such tax shall also be imposed upon the seller or transferor resident in or a citizen of the United States when the buyer or transferee is not a citizen or resident of the United States. When the seller or transferor is not a citizen or resident of the United States and does not pay the tax imposed by subsection (a), the buyer, if a citizen or resident of the United States, shall be liable for the full amount of such tax subject to the provisos and penalties set forth under subsection (a). A resident or citizen of the United States, acting through a broker or agent abroad, shall be liable for the full amount of the tax provided in subsection (a) as though buying, selling, receiving, or transferring without the intervention of such broker or agent. A broker or agent resident in or a citizen of the United States shall be liable for the full amount of the tax provided in subsection (a) notwithstanding that his principal is or may be a resident or citizen of a foreign country. In all cases where sales or transfers of stock taxable under subsection (a) are consummated through dummies or by ruse or device designed to evade the tax provided in subsection (a), the parties shall be liable for the full amount of the tax as though such dummies, ruse, or device were not employed: *Provided*, That nothing in this sentence shall be construed to relieve the parties from the operation of the penalties provided under subsection (a).

Mr. RAGON. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. RAGON. Does the gentleman from New York offer his amendment as an amendment to the committee amendment?

Mr. LaGUARDIA. Yes.

Mr. RAGON. Does not the gentleman think it would be better to insert his amendment as a subhead?

Mr. LaGUARDIA. Mr. Chairman, I ask unanimous consent that I may withdraw the amendment—it having been read for information—with notice that I shall offer it if the Ragon amendment is adopted by the committee.

The CHAIRMAN. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. LaGUARDIA. Mr. Chairman, this amendment may seem a little crude, but it must be crude to meet crude, threatening tactics. There has always been opposition to a tax on stock transfers, ever since the suggestion was made to enact such a tax. However, such a suggestion did not originate this year, last year, or the year before, but it has been before the Congress for many years.

I want to say to the gentleman from Georgia that the country will owe him an everlasting debt of gratitude for bringing in this bill without a rule, because it is due to the absence of a rule the House of Representatives is permitted to vote on this particular and important amendment. [Applause.] Had we operated under a gag rule preventing the

opportunity of offering amendments and full discussion we would never have had this opportunity.

Gentlemen, it has been repeatedly stated that stock brokers have threatened to move to Canada and transact their business in a foreign country to avoid this tax. This amendment puts sufficient teeth into the law and serves notice that if any such policy is adopted we will find the ways and means to enforce the law and collect the tax no matter what they may attempt to do.

I want to say it comes with very poor grace at this time, when Congress is struggling to balance the Budget, for anyone doing business and making money from nonproductive activities to threaten to disrupt the revenue plan by taking their business out of the country. My amendment will prevent such evasion of taxes.

In reply to the suggestion made by my colleague from New York, Mr. CELLER, and my colleague from New York, Mr. BACON, and others, that this tax would prevent money going into new enterprises, permit me to call their attention to the fact that this tax does not apply to original issues at all. Surely they should have known that. There is a tax on original issues in the bill. It has already been approved. This has nothing to do with original issues. This is a tax on transfers of stock. This is a tax on speculation. This is a tax on gambling. This will in no way take one cent from legitimate industrial purposes, but it will tax all transactions and speculation on the various stock exchanges. So I insist this will have very little, if any, relation to the industry and commerce of the country. I know how powerful the New York Stock Exchange is. The House has evidence of that fact right here now.

The stock exchanges have had their day on the floor of this House for the last 50 years. To-day, for the first time, we have an opportunity to test the sentiment of the House in connection with a tax on the transfers of stock. I know of no other provision in this bill which will meet with more general approval throughout the country than this tax. The people of the country have been wondering for years why we did not tax this source of revenue. I am indeed gratified over the fight some of us have waged to bring the stock-transfer tax before the House.

I want to say, gentlemen, that this country must get back to a normal condition. If this country does not get back to a normal condition, all the revenue bills we can write will not produce enough revenue with which to run the Government. As soon as the country gets back to a normal condition this tax alone will furnish a source of revenue so large and easily collected as to make possible the elimination from the law of all the nuisance taxes which we have been compelled to put in by reason of necessity. [Applause.]

Mr. BLACK. Mr. Chairman and gentlemen of the committee, the gentleman from Arkansas suggested that there were a great number of people in the country who would like to get rid of the stock exchanges. Well, I think that might be so; but I think that if you would take the number of people who want to get rid of the stock exchanges and put them against the number of people who want to get rid of Congress that the number who want to get rid of Congress would trump the others. There are a great many people who want to get rid of Arkansas; there are a great many people who want to get rid of New York; there are a great number of people who wanted to get rid of liquor about 12 years ago, and now they are sorry, because they are beginning to pay real taxes.

This bill is not going to do away with the stock exchanges, but this bill is going to affect every white-collar worker employed by stock-exchange houses in New York, in all of the eastern cities, and in all of the branch offices in the West and South. This bill is not aimed at the stock exchange, but it is aimed at the white-collar workers. In this bill we have done everything we could to save skilled labor. Everything has been done in the interest of the American skilled worker, and yet we now have before us an amendment which is aimed at one of the largest divisions of the white-collar workers of the country.

The men and women engaged on the clerical staff of various stock-exchange houses are the only ones who are going to be affected by this bill.

It is not going to kill short selling. There is nothing in the amendment that is going to stop short selling. Short-selling raids have been pretty effectually stopped by a new rule adopted by the New York Stock Exchange.

As to original issues, the gentleman from New York [Mr. LaGuardia] says this does not affect original issues. Well, original issues do not stay original issues for 24 hours. Original issues come to the stock exchange not to rest in the stock exchange but to pass out to the world. The stock of industry in this country passes out to the world through the medium of the New York Stock Exchange, and money flows from the world into the New York Stock Exchange and then out to the rest of the country. The New York Exchange is really the heart of industry in this country. It is the real circulating medium of money, the lifeblood of industry. The original issue goes into the stock exchange and then is traded in and is no longer an original issue, and it bears a tax and it bears an increased tax under this amendment, and the increased tax under this amendment is a tax on money needed for the industry of the country.

This is a shortsighted amendment. The Committee on Ways and Means knows that the members of the New York delegation have gone with the committee on nearly every proposal, and the Committee on Ways and Means ought to understand that when the New York delegation almost unanimously opposes an amendment it opposes it because it thinks it is against the interests of the business of the country.

I do not believe this amendment is going to have the effect, as far as revenue raising is concerned, that some of you folks think. It is going to decrease trading, and by decreasing trading it decreases the flow of money into this country.

What built up your West? What built up your South? It was money that came from New York through the New York Stock Exchange. The railroads of the West that built up your farming country, the factories of the West, the factories of the South, and the factories all over the country went to New York, and went where? To the stock exchange, and put out their issues. The money did not stay there. The commissions stayed there, but the money went back to develop the country.

This is a futile and short-sighted attack on the New York Stock Exchange that is not going to help the country. It suggests a patient who, when the physician puts a thermometer in his mouth and takes it out and says that he has a high fever, grabs the thermometer and throws it on the floor and breaks it. The New York Stock Exchange, so far as this depression is concerned, is an indication of the extent of the depression. It is an indication of the rise and fall of business. [Applause.]

Mr. GOSS. Mr. Chairman, if this amendment or the committee amendment passes it will be in violation of one of the fundamental principles of free bargaining in this country. It is an attack to-day upon the stock exchange; but there is not a commercial producing business in this country that could survive without short selling. You can not buy a pair of shoes from the manufacturer that are not sold by short selling, because the company might not have the hides to make them when they sell them. You can not buy copper pipe without short selling, because the copper may not be delivered to the plant in which that copper pipe is being manufactured, and, in my judgment, both of these amendments are simply attacks on short selling, one of the fundamental principles of free bargaining that this country has always maintained; and if we start with the stock exchange there is no telling when we will end or where we will end in respect to other business.

If it is fair to tax the stock exchanges in this regard, then we ought to go all the way down the line and tax every industry and every business in the United States alike, so that we will at least be consistent.

Why, my friends, you can not buy a thing from manufacturers that is not sold by short selling. The producers of any material, even the oil people, sell oil before they get it into the refined stage. There is not a single thing that we buy from manufacturers that is not sold on the basis of short selling, and when I asked last night the gentleman from New York to please tell the House what effect this attack on short selling would have, he very cleverly evaded the question, and every other speaker has done the same thing. None of them has answered this question for the benefit of the House. [Applause.]

Mr. JOHNSON of Oklahoma. Judging from the heavy bombardment turned loose here to-day by the light artillery from New York, one unfamiliar with the history of this amendment to tax sales of stock exchanges of Wall Street and elsewhere might think it altogether a new proposal.

Late yesterday when the amendment proposing a one-fourth of 1 per cent tax on all sales of stock exchanges was first reached Members from the great State of New York expressed extreme surprise and pleaded for additional time, which the chairman of the committee was very generous in granting, else this item would have been voted on yesterday. The fact is that unsuccessful efforts have been made to tax these damnable stock exchanges for the past 40 or 50 years. If I were permitted to write this amendment, I would go farther than is proposed in this provision; I would not hesitate to tax sales of stock exchanges 1 per cent or four times the amount proposed in the committee amendment. If one-quarter of 1 per cent would bring \$75,000,000 to \$100,000,000 to the Treasury, four times that amount, together with amendments heretofore adopted, would more than balance the Budget and it would not be necessary to increase the postage rate to 3 cents nor add many other very burdensome taxes proposed in this bill. [Applause.]

The delegation from the great State of New York, that perhaps votes more nearly as a unit than any other delegation in this House, evidently failed to get together on the line of argument to be pursued against this amendment. For example, the able and distinguished Mr. O'Connor laid great stress on his allegation that this small tax on Wall Street would destroy short selling and put the stock exchanges out of business. He did not mince words in his denunciation of this proposal, so sure was he that it would destroy his stock exchanges or force them to cross the line into Canada. Then another affable gentleman representing the great metropolitan city of New York [Mr. BLACK] comes along and contradicts the statement of his colleague and admits that this insignificant tax will not begin to put the stock exchanges out of business. Let me say frankly I only wish that the tax proposed to be imposed on the stock gamblers could be placed so high that it would not only curb short selling but stop gambling on products of the farm. If that could be accomplished, Mr. Chairman, it would be the most far-reaching and beneficial legislation ever passed by this or any other Congress. [Applause.] Speculation on the New York Stock Exchange by white-collared parasites who toil not nor spin not is largely responsible for our financial troubles. These Wall Street gamblers do not confine themselves to intangible stocks, mythical securities, and bogus memorandums, but they gamble to the tune of billions of dollars on commodities they never see but which are produced by the sweat of the brows of millions of honest, hard-working farmers of America. Instead of prices of farm commodities being based on the law of supply and demand, they are too often controlled by and held at the mercy of Wall Street stock gamblers. [Applause.]

"Oh," but say the gentlemen from New York, "you will force our stock exchanges across the line to Montreal." If they do not want to obey the laws—and they have shown that they do not—let them move; but, of course, the gentleman is not serious in saying that a tax of one-fourth of 1 per cent would stop a single sale or drive any of his gamblers or stock exchanges into Canada. The LaGuardia amendment, which I feel sure this House will adopt, will

prevent any possibility of the stock exchanges moving across the line into Canada.

This Congress is faced with a problem of balancing the Budget, which means the raising of additional revenue. This is one tax that will get the money and can not possibly be passed on. I submit that it is just, fair, and equitable. The proposed tax on stock exchanges is not as much as it ought to be, but it is a great step in the right direction, and I submit it is one of the fairest taxes in this revenue bill.

Let us hope that some future Congress will materially increase the tax on stock exchanges and give Wall Street, that in a large measure is responsible for the economic depression throughout this land, to understand that it must pay a more just share of the burdens of Government. [Applause.]

[Here the gavel fell.]

Mr. BOYLAN. Mr. Chairman and members of the committee, I believe, as many gentlemen have stated on the floor, that we ought to balance the Budget. I am in favor of balancing the Budget. I have gone along with the committee from the very beginning, and I hope to finish with them a winner. I have tried to expedite the progress of the bill in every way possible.

But I must say that this morning when I reached my office I was inundated by a flood of letters and telegrams from constituents of mine in opposition to this proposed amendment.

We have been told this morning that this amendment is hoary headed, that it comes to us with long whiskers, which evidently shows the good judgment of other Congresses in the past in failing to act on it.

There are men in this House coming from the great arid districts of our country, from the Great Plains, men who never have seen the city of New York. One man recently told me that he had been here for 12 years and had never been as far out of Washington as New York.

New York appears to them as a great monster. They used to tell little children in up-State New York that if they did not go to bed early some of those terrible people from the city of New York would get them. And in that way they frightened them and sent them to bed early. [Laughter.]

Now, it has been estimated that practically 85 per cent of the stock transactions in this country is carried through the New York Stock Exchange. What does that mean? It means that people all over the country telegraph or write their broker in New York to buy or sell certain stocks. This is a great American habit. We all plead guilty, and we do not deny it. How are your orders carried out? Our stock-exchange firms have built up in the city of New York a splendid organization to take care of your business that is sent into them by wire or by mail.

Now, we have in connection with this stock exchange thousands of men and women employed by the stock-exchange houses to faithfully carry out the orders that you send in. These men and women we draw on from all over the Union as clerks, as telegraph operators, as stenographers, statisticians, as librarians, all making up a splendid organization. They are a white-collared force, and in behalf of that great white-collared force I ask you this morning to reject this amendment of the committee or materially modify it. [Applause.]

[Here the gavel fell.]

The CHAIRMAN. The question is on the committee amendment.

The question was taken; and on a division (demanded by Mr. O'CONNOR) there were 207 ayes and 39 noes.

So the amendment was agreed to.

Mr. LAGUARDIA. Mr. Chairman, I now offer my amendment.

The Clerk read as follows:

Page 259, after line 10, add a new subsection to read as follows: "(b) The tax provided for in subsection (a) shall be imposed on all sales, agreements to sell, and/or memoranda of sale or delivery consummated entirely within the United States or between citizens or residents of the United States; and, in addition, such tax shall also be imposed upon the seller or transferor resident in or

a citizen of the United States when the buyer or transferee is not a citizen or resident of the United States. When the seller or transferor is not a citizen or resident of the United States and does not pay the tax imposed by subsection (a), the buyer, if a citizen or resident of the United States, shall be liable for the full amount of such tax subject to the provisions and penalties set forth under subsection (a). A resident or citizen of the United States, acting through a broker or agent abroad, shall be liable for the full amount of the tax provided in subsection (a) as though buying, selling, receiving, or transferring without the intervention of such broker or agent. A broker or agent resident in or a citizen of the United States shall be liable for the full amount of the tax provided in subsection (a) notwithstanding that his principal is or may be a resident or citizen of a foreign country. In all cases where sales or transfers of stock taxable under subsection (a) are consummated through dummies or by ruse or device designed to evade the tax provided in subsection (a), the parties shall be liable for the full amount of the tax as though such dummies, ruse, or device were not employed; *Provided*, That nothing in this sentence shall be construed to relieve the parties from the operation of the penalties provided under subsection (a)."

Mr. CELLER. Mr. Chairman, is it in order to make a point of order against the amendment which has been previously read?

The CHAIRMAN. It is.

Mr. CELLER. I make the point of order that it is not germane to the bill.

The CHAIRMAN. The amendment was read for information. It could not be offered at that time. It is now being offered and read for the first time.

Mr. DOWELL. Mr. Chairman, the amendment is germane. It carries out the purpose of the bill, and the point of order comes too late.

The CHAIRMAN. The Chair will hear the gentleman from New York.

Mr. CELLER. Mr. Chairman, the amendment of the gentleman from New York seeks to set up some method of procedure which, in effect, would be to invoke the Federal power for the purpose of reaching out for a tax on sales in another country. For that reason, such legislation would be unconstitutional, not within the jurisdiction of the Federal Government, and therefore it is not germane, because anything unconstitutional is or at least should not be germane. I am aware that it has often been ruled that the constitutionality or unconstitutionality of an amendment is not the basis of germaneness of an amendment. Yet there is nothing to prevent the chairman from courageously departing from these precedents.

The CHAIRMAN. The Chair is ready to rule.

Mr. DOWELL. This amendment is just to prevent an evasion of the amendment of the gentleman from Arkansas. It will enforce the collection of the tax on sales on the exchange. It is germane and should be adopted.

The CHAIRMAN. The point of order is overruled. That is on the merits of the question before the House, and not on the point of order. The question is on the amendment offered by the gentleman from New York.

The amendment was agreed to.

The Clerk read as follows:

(b) Subsection (a) shall take effect on the fifteenth day after the date of the enactment of this act.

Mr. CRISP. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. CRISP: Page 259, after line 12, insert a new subsection, as follows:

"(c) Effective July 1, 1934, such subdivision 3, as amended by subsection (a) of this section, is amended by striking out '4 cents' wherever appearing in such subdivision and inserting in lieu thereof '2 cents,' and by striking out the following: 'in no case shall the tax imposed by this subdivision be less than one-fourth of 1 per cent of the selling price, if any, of such shares, certificates, or rights: *Provided further*, That.'"

Mr. CRISP. Mr. Chairman, the effect of this amendment is simply to provide that after July 1, 1934, this special tax shall be repealed and the old law of 2 cents a share restored. The committee, in all of these excise taxes, has been making them special for the emergency in order to raise money to balance the Budget. This is a question for the House to determine, as to its policy, whether or not it desires to make this amendment just adopted permanent or

not. The committee, in keeping with all other excise taxes, has recommended the amendment I have just sent to the desk. If it is the wish of the House to treat this as other amendments, the amendment should be adopted.

Mr. O'CONNOR. Mr. Chairman, will the gentleman yield?

Mr. CRISP. Yes.

Mr. O'CONNOR. In the discussion between the committee and the representatives of the exchanges, was anything said with reference to this? Did they go away with the understanding that it is a temporary matter?

Mr. CRISP. I do not know. This matter was handled by a subcommittee. I was not present at the meetings of that subcommittee.

Mr. O'CONNOR. Some of them say that they were not violently opposed to this, because they understood it would be in the category of the other taxes.

Mr. RAGON. They were not given any assurance, but the committee understood, at least I did, that it would be an emergency matter.

Mr. O'CONNOR. I think they did, too.

Mr. LaGUARDIA. Mr. Chairman, there is a great deal of force in what the gentleman from Georgia has said, that this tax ought to be treated as all of the other special taxes adopted in lieu of the sales tax. Therefore, in keeping with the other provisions in the bill, that the period of limitation should be written into this section, I am willing to have the amendment agreed to. I know that it is the sentiment of this House that this tax is going to be part of the permanent taxing policy of the Government, and while it is all right to write this limitation in at this time, as it will give an opportunity to work out the proper administration of the law, just as sure as we are sitting here I feel that before the limitation fixed by the amendment expires this Congress will make it permanent.

Mr. RANKIN. Mr. Chairman, will the gentleman yield?

Mr. LaGUARDIA. Yes.

Mr. RANKIN. Then why should we put any limitation on? Why not let the law go on as written? If it is not satisfactory, we can repeal it later.

Mr. LaGUARDIA. That would be my inclination, but the committee has cooperated with us in bringing out this stock-transfer tax amendment, for which we have been fighting for years; they have been very helpful in working it out and having it approved, and I want to keep my promise of cooperation.

Mr. McKEOWN. Does not the gentleman think it will be better policy to try the effect of this for this emergency?

Mr. LaGUARDIA. Yes.

Mr. KVALE. Does the gentleman think the committee will be deeply grieved if the amendment is rejected?

Mr. LaGUARDIA. We said we would go along, and I think we ought to.

Mr. BACON. Does not the gentleman think all should be treated alike?

Mr. LaGUARDIA. Yes.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Georgia.

The question was taken; and on a division (demanded by Mr. CRISP) there were—ayes 112, noes 14.

So the amendment was agreed to.

Mr. CRISP. Mr. Chairman, I ask the Chair to recognize the gentleman from Kentucky [Mr. VINSON] to offer an amendment.

Mr. VINSON of Kentucky. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. VINSON of Kentucky: Page 256, line 7, strike out "of shares of stock, or of certificates of profits" and insert "of shares or certificates of stock, or of profits."

The CHAIRMAN. The question is on agreeing to the amendment.

The amendment was agreed to.

Mr. CRISP. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. CRISP: Page 259, after line 12, insert a new section to read as follows:

"Sec. —. Stamp tax on sales of produce for future delivery—

"(a) Subdivision 4 of Schedule A of Title VIII of the revenue act of 1926 is amended by striking out '1 cent' wherever appearing in such subdivision and inserting in lieu thereof '5 cents.'

"(b) Subsection (a) shall take effect on the fifteenth day after the date of the enactment of this act.

"(c) Effective July 1, 1934, such subdivision 4, as amended by subsection (a) of this section, is amended by striking out '5 cents' wherever appearing in such subdivision and inserting in lieu thereof '1 cent.'"

Mr. VINSON of Georgia. Mr. Chairman, the amendment which I sent to the Clerk's desk is the same as the amendment offered by the committee. I gave notice yesterday that I proposed to offer an amendment making it 10 cents a hundred, but finding that the committee had reached a conclusion that 5 cents a hundred was more equitable, and in order to expedite the consideration of the bill, I ask unanimous consent to withdraw my amendment, and I am heartily in accord with the committee amendment.

The CHAIRMAN. Is there objection to the request of the gentleman from Georgia?

There was no objection.

Mr. CRISP. Mr. Chairman, this amendment increases the present tax of 1 cent to 5 cents.

Mr. JOHNSON of Washington. Will the gentleman yield?

Mr. CRISP. Yes.

Mr. JOHNSON of Washington. It increases all transfers on the produce exchanges from 1 cent to 5 cents?

Mr. CRISP. Yes.

Mr. JOHNSON of Washington. Does that include grain?

Mr. CRISP. Yes. Grain, cotton, and everything.

Mr. JOHNSON of Washington. Is that a 400 per cent increase?

Mr. CRISP. The gentleman is a better mathematician than I am, and he can figure it out. It increases it from 1 cent to 5 cents.

Mr. VINSON of Georgia. Will the gentleman yield?

Mr. CRISP. Yes.

Mr. VINSON of Georgia. As I understand, this amendment will bring in approximately \$7,500,000 or \$8,000,000 in revenue. Under the law to-day, as stated by the acting chairman of the committee, there is a 1-cent tax on each \$100 transaction on the commodity exchanges, and this is merely along the same principle that was applied to the stock exchanges a moment ago.

Mr. JOHNSON of Washington. Mr. Chairman, I rise in opposition to the amendment; but in reality for the purpose of inquiry and to make a few observations. This tax bill having been torn to pieces a few days ago is now being remade piecemeal. We were warned by members of the Ways and Means Committee as to what would happen. It did happen, and now there seems nothing to do but to take this "catch as catch can" bill and go along with this badly overworked committee, which is doing the best it can do, and which does not deserve to be chided or criticized. But we can make some observations and then hope that somewhere along the line before the final enactment attention will be given to some of these amendments which at this time are riding high, wide, and handsome.

This particular amendment taxes movements on the grain exchanges. I take it that this tax affects futures and deals and also actual sales. I do not know much about the grain exchanges, especially the grain exchange in the great center of Chicago, but I do know a little about the efforts in the North Pacific part of the United States to export durum wheat, macaroni wheat, as they call it. Members from the Central States in the past have wanted a special tariff on every kind of wheat and favored treatment from the Farm Board, but not on durum wheat. However, it is sold around the world. It is exported from Puget Sound, Tacoma, and Seattle, and from the Columbia River ports—Portland and Astoria, Oreg.; Longview and Vancouver, Wash. Many ship cargoes of it go from those ports. It is a commodity, with money exchanges in connection therewith. Liverpool prices

prevail and futures are dealt in. Chicago prices do not prevail.

That export business as between the ports of British Columbia, mainly Vancouver, British Columbia, and those of Puget Sound and the Columbia River are in competition. I predict that many a deal will be made by telephone through Vancouver, British Columbia. This tax is higher than war-time tax, which was 2 per cent. In my opinion it will send business, credits, money, and bills of lading, as well as selling for future delivery, to Vancouver, British Columbia, and to Winnipeg, Manitoba, and will increase the export shipping business of the port of Vancouver, British Columbia.

Mr. VINSON of Kentucky. Will the gentleman yield?

Mr. JOHNSON of Washington. Yes; certainly.

Mr. VINSON of Kentucky. The gentleman referred to the war-time tax. Has the gentleman distinguished between and taken into consideration the decrease in the prices of commodities?

Mr. JOHNSON of Washington. I am not an expert, and I am merely making this statement for the purpose of calling it to the attention of others who may have something to do with this bill later. We all know that this bill is going to be rewritten in another body. We do not even have these amendments here in type.

Mr. VINSON of Kentucky. If you take into consideration the decrease in the prices of commodities, with a 50 per cent decrease, a 2-cent tax would be equivalent to a 4-cent tax at this time.

Mr. JOHNSON of Washington. Yes; of course, if wheat is selling low, the tax on the actual commodity will be less. Some one tells us every day if this or that goes up, this or that will go down. We all know that if we pull the bed-covers too high about our necks, we will uncover our feet.

In another legislative body, hearings will be arranged, and experts may appear and give their views on many of these items as to whether we have gone so high as to decrease business and then, of course, lose the very taxes we desire to raise.

Take the other tax just adopted to stop trading in securities. Of course, it will stop trading in a quick market. Stock trading, if taxed too high, will take on the methods of real-estate transfers—a slow and cautious method. Perhaps that is what is desired, instead of actual tax money. A new line of bootlegger is likely to develop—bootlegging in securities. More and more people will have to sell. The stock-security bootlegger will find a way to dodge a big tax on \$100 shares selling at \$6 or \$7. But, as I said, I am making this speech primarily to spot the subject for the future. I do not press the amendment.

Mr. HAWLEY. Mr. Chairman, the result of this tax is this: If a carload of 1,000 bushels of wheat enters Chicago to be sold through the exchange and the price at which it is sold is \$1 per bushel, that cargo of wheat would pay 50 cents. It is not a question of the difference between the existing law and the proposed amendment. The question is whether the tax proposed is out of line with other taxes imposed by the bill or whether at the rate proposed the tax will be passed back.

Answering the gentleman from Washington, if the farmers of eastern Oregon should collect their wheat at Takoma or Seattle in grain elevators, transport it from the elevators to ships, and ship it abroad it would pay no tax. This tax is imposed on future sales.

Mr. JOHNSON of Washington. Does the gentleman doubt the statement I made that there would be competition between the Puget Sound ports and the Vancouver (British Columbia) ports for this wheat?

Mr. HAWLEY. Those exchanges or those ports would not be affected at all by the tax unless the grain passes through some produce exchange as a future sale.

Mr. JOHNSON of Washington. That is what I am talking about. It will pass through a produce exchange.

Mr. THATCHER. Will the gentleman yield?

Mr. HAWLEY. Yes.

Mr. THATCHER. I have received a number of telegrams from grain dealers in my home city of Louisville in opposi-

tion to this particular provision, saying, among other things, that it would be burdensome on the farmers of the country. What is the gentleman's answer to that statement?

Mr. HAWLEY. I answered that once a moment ago and took wheat as an illustration. A carload of 1,000 bushels all sold on the exchange would pay 50 cents if the price of wheat were \$1. This would be 50 cents on \$1,000 or one two-thousandths of a cent on each bushel of wheat. How are you going to pass that anywhere? It must be absorbed.

Mr. THATCHER. And that will apply to all kinds of grain?

Mr. HAWLEY. Yes; it applies equally to all kinds of produce traded in on the produce exchanges.

Mr. JOHNSON of Washington. Does the gentleman know that they have a grain exchange in Winnipeg for western shipments?

Mr. STAFFORD. Winnipeg has a grain market and a very substantial one.

Mr. HAWLEY. Then there would be no advantage as between the two countries, provided the rate is the same.

Mr. HOPE. Will the gentleman yield?

Mr. HAWLEY. Yes.

Mr. HOPE. Does not this tax apply only to future transactions and therefore would not apply at all to the transaction mentioned by the gentleman from Washington? As I understand, it applies only to sales for future delivery.

Mr. HAWLEY. Only transactions for future delivery; that is right.

Mr. EATON of Colorado. Will the gentleman yield?

Mr. HAWLEY. Yes.

Mr. EATON of Colorado. Is not this the fact: No matter how you may figure, whether it is 50 cents for a thousand-bushel car or otherwise, you are now multiplying the present tax on that kind of sale by five?

Mr. HAWLEY. That is true; and then the question is whether this tax is out of line in comparison with the others that we levy, and excessive.

Mr. EATON of Colorado. And it is true that it is 50 cents on \$100 worth of grain instead of 20 cents?

Mr. HAWLEY. No; it would be 5 cents on \$100 and it is now 1 cent on \$100.

Mr. EATON of Colorado. And 50 cents on \$1,000 worth of grain?

Mr. HAWLEY. Yes.

Mr. EATON of Colorado. It is now 1 cent in the committee's bill, and the amendment provides for 5 cents?

Mr. HAWLEY. Certainly.

Mr. MAAS. Will the gentleman yield?

Mr. HAWLEY. Yes.

Mr. MAAS. Can the gentleman give us any assurance that this will not drive the produce business to Canada?

[Here the gavel fell.]

Mr. STAFFORD. Mr. Chairman, I ask unanimous consent that the gentleman may proceed for two more minutes in order to reply to some of these questions.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. MAAS. There is a great deal of alarm because this may drive the produce business out of this country. Can the gentleman give us any assurance that it will not drive the business to exchanges in other countries?

Mr. HAWLEY. We made inquiry as to that matter of the experts in the Department of Agriculture and we reached the conclusion, which was unanimous, that it would have no such effect. The amount per unit of transaction is very small.

Mr. MAAS. Winnipeg has no tax at all, has it?

Mr. HAWLEY. I am informed they have no tax.

Mr. MAAS. If it does drive the business out of this country, then we would not only lose the business but we would lose the expected revenue. Is there not some way we could be protected against that?

Mr. LaGUARDIA. I would suggest that if the committee would adopt the amendment which the House approved and where I referred to section (a) they could also apply to this section, or whatever section it may be that will cover it.

Mr. MAAS. Twenty-five per cent of our business is export business, and that may go to these other places.

Mr. HAWLEY. We did not find reason to believe that the business would leave this country.

Mr. MAAS. And the gentleman's opinion is this will not drive the domestic business away?

Mr. HAWLEY. My opinion is it will have no such effect. [Here the gavel fell.]

Mr. O'CONNOR. Mr. Chairman, I offer a substitute amendment.

The Clerk read as follows:

Amendment offered by Mr. O'CONNOR as a substitute for the committee amendment: Page 259, line 12, insert a new section to read:

"(a) Subdivision 4 of schedule (a) of title 8 of the Revenue Act of 1926 is amended by inserting '25 cents' in lieu of '1 cent' wherever '1 cent' appears in such subdivision.

"(b) Subsection (a) shall be effective on the 30th day after the approval of this act."

Mr. O'CONNOR. Mr. Chairman, I offer this amendment for the purpose of testing the attitude of the House in respect to discrimination between exchanges.

On Tuesday, when it was announced that these special excise and other taxes were to be offered, I asked if the cotton and grain exchanges were also to be affected, and while I was not told that transactions on those exchanges would bear the same tax as those on stock exchanges, I had reason to understand it was on the same basis of one-fourth of 1 per cent. Yesterday the Ways and Means Committee announced on the floor the tax was going to be only 10 cents a hundred and further, to my surprise, to-day it is reduced to 5 cents a hundred.

I realize the distinction between commodities and certificates of stock, but to say that the cotton exchanges or the grain exchanges deal in commodities is only one-half of 1 per cent true at the most. They do not deal in cotton or grain. They deal in memoranda. They deal in futures. They do not deal with the actual commodity any more than the stock exchange deals with a piece of steel when they sell a stock certificate in United States Steel Co.

What I especially object to is this discrimination. I surmise the reason for it—hatred of the urban population and subjection to the rural. Again we have legislation in the special interest of the farmer. "Soak the city, but save the farm." I have been voting for the farmer for 10 years.

I know a number of men here agree with me. I know men from the South and West who agree with me. The rate of tax should be the same on all the exchanges. Twenty-five cents a hundred you put on stock transactions in addition to the 8 cents a share. In transactions on commodity exchanges you have placed no stamp tax on the memorandum which designates the sale or purchase of cotton or grain, for instance. As a matter of fact, the selling of cotton and grain on the exchange amounts to the same thing as far as a transaction is involved. Why, there is more short selling on the cotton and grain exchange than there is on the stock exchange. Everybody knows that. I therefore offered this amendment to see if all exchanges would be treated on a parity and no discrimination made in the conduct of business on the exchanges of the country.

What would the tax proposed by the committee of 5 cents on each 100 of value of commodities amount to? Take 100 bales of 6-cent cotton, for instance. Three thousand dollars would be the total of the transaction. The total tax would be \$1.50, or 1½ cents a bale, or 0.03 of a mill a pound. The increased tax I propose would amount to 0.15 of a mill a pound, an inconsequential amount.

Yet a transaction of \$3,000 on the stock exchange, involving the sale of 300 shares at \$10 each, would cost \$24 in transfer stamps and \$12 in tax, a total of \$36, or twenty-four times the tax on cotton. Is this fair?

[Here the gavel fell.]

Mr. RAGON. Mr. Chairman and members of the committee, the gentleman from New York [Mr. O'CONNOR] evidently misunderstood yesterday, perhaps from me, as a member of the committee, that this rate would be 10 cents

on a hundred-dollar transaction. The gentleman from Georgia [Mr. Vinson] suggested that he would offer an amendment to that effect, but the committee has never agreed to accept an amendment to that effect, and, in fact, our rate has always been 5 cents.

My friend further confuses the difference between the character of the two exchanges. One of them deals with produce of all kinds and descriptions. The other deals in stocks. This amendment affects only the produce and grain exchanges of the country. The amendment my friend refers to touches every bank, corporation, and anybody in any section of the country that in any way deals or sells or transfers stock.

Mr. O'CONNOR. If the gentleman will yield, my amendment only applies—

Mr. RAGON. I am not talking about the gentleman's amendment. I am referring to the amendment with relation to stock transfers.

Now, with reference to the produce exchanges of the country. We called on the Secretary of Agriculture and asked him to send us the most efficient man he had in the department along that line. He sent a man by the name of Duvel who told us that any rate higher than one-twentieth of 1 per cent, 5 cents on a hundred-dollar transaction would not injure the farmer, but there was a remote possibility that it might affect the price of the commodity. I asked him this exact question, Did he think that 5 cents tax on every hundred-dollar transaction would affect the price to the producer? He seemed to be a very cautious man, but one of the fairest experts that I ever came in contact with. He said it would not affect, in his opinion, in the slightest degree, the market price of the product.

Then, here is a remarkable piece of information. He said that on the produce market there was not more than one-half of 1 per cent actual transactions in produce.

What about this 5-cent tax that some of my friends have complained about? My friend from Texas [Mr. KLEBERG] a moment ago handed me a telegram from a gentleman in Texas which said that that would amount to 2 cents a bale on cotton. What a small amount. This would not even touch the farmer or producer. My friend here from Kansas [Mr. HOPE] a moment ago suggested to me that on a carload of wheat, if it was effective to the producer, it would be only 41 cents. I think the gentleman from Oregon a moment ago said it would be less than 50 cents.

Mr. HOPE. Mr. Chairman, will the gentleman yield?

Mr. RAGON. Yes.

Mr. HOPE. Supplementing what the gentleman has said, figured out on the present price of May futures in Chicago, a bushel of wheat taxed at this rate would pay one thirty-sixth of a cent a bushel.

Mr. VINSON of Georgia. In reference to what it would cost on a contract of cotton, let us see what it would be. On the New York and New Orleans Cotton Exchanges, they deal in hundred-bale lots, known as a contract of cotton. That cotton is worth about \$3,000 at the present time. Five cents a hundred dollars would amount to \$1.50 on a contract.

Mr. RAGON. I was referring to the telegram that Mr. KLEBERG handed me. I may be wrong in my calculation, but we figured it out, on one of these transactions, figured on the bale unit that it would amount to only 1 cent.

Mr. BURTNESS. Mr. Chairman, will the gentleman yield?

Mr. RAGON. Yes.

Mr. BURTNESS. I am wondering whether the committee gave careful consideration to what if any effect it would have on the necessary insurance or hedging operations of elevators?

Mr. RAGON. We did that.

Mr. BURTNESS. I would like to have the gentleman's opinion with reference to that. If there is any question about the advisability of this tax, it would resolve itself around the possible increase in the cost of legitimate insurance or hedging operations.

Mr. RAGON. We took that into consideration, and that is one of the fine things that these exchanges do. They provide an opportunity for the farmer and the merchant and the traders in this produce to protect themselves through hedging transactions. But this gentleman who was sent to us assured us that that will not affect them in the remotest.

Mr. EATON of Colorado. What is all this scare about sending all this grain business to Winnipeg?

Mr. RAGON. I do not believe that that would affect it a bit. I can not conceive how it would. They say that Winnipeg has no tax. I do not know, but one-twentieth of 1 per cent tax, it strikes me, answers any argument that it would drive business out of this country.

Mr. JOHNSON of Washington. We hope it will not drive business out, but we think we have the right to make the inquiry.

Mr. RAGON. Certainly, and all inquiries are welcome.

Mr. CELLER. The Federal Farm Board made an announcement that where there was hedging it would make loans up to 90 per cent, and where there was no hedging, loans would be made only up to 75 per cent. When you increase the tax on futures of grain or cotton, do you not to that extent discourage the hedging, which involves these transfers with these extra burdens of taxation?

Mr. RAGON. I hardly think so. The tax is so small, only one-twentieth of 1 per cent, that I can not conceive for the life of me where that would affect hedging or the price of produce. The gentleman to whom I refer is an acknowledged expert, and he says it will not do it, and I am taking his word just as I took the word of the New York Stock Exchange men who came here that certain rates would ruin their business.

Mr. ADKINS. Mr. Chairman, if this will not raise any money or cost anybody anything, I do not see the need of the tax. First of all, there is now a 1-cent tax on future trade. It is proposed to raise that about 500 per cent. When the tax bill came in here I listened to all of the argument of the committee, and decided any tax that we fixed would be unpopular, and that I would go along with them unless somebody proposed something better, and nobody did. I went along with them. The next thing is to go along with them on something else. But you take this 1-cent tax on our grain market, for instance, for future trading, and gentlemen should not get the idea that that is not reflected back to the man who sells the commodity. What is the psychological effect going to be? One very objectionable tax came in here to the farm interests of the country, and that is a tax on automobile trucks, and so forth, but the farmer has to pay that. Then you come in and increase the tax on future trading of all of the commodities of the farmer, and that goes back to him, and what is the psychological effect of it going to be, with a very low market at the present time? Just because they are hard up is no reason why they should not pay a tax, because everybody is hard up, but if you would make it 2 cents you would be doing pretty well. Take our present market now, and it is all based on our future market trading.

Mr. CANFIELD. The gentleman refers to 1 per cent. The new tax will be one-twentieth of 1 per cent.

Mr. ADKINS. The present tax is 1 cent on a hundred dollars, and the next will be 5 cents. If you do not raise any money, there is no use in levying any tax. The point I am making is that if you increase it 100 per cent and apply it to all of the farm commodities of the country that would have a bad psychological effect; especially if you increased it 500 per cent. We have come along now and necessarily levied taxes on a great many things. We had to do that. Bear in mind that this will be reflected in the farmers' commodities, when you increase the tax 200 per cent. When you increase it from 100 per cent to 500 per cent you have placed an extra burden on every farm commodity sold on our exchanges. If you do not make the increase too much, there will not be any trouble about balancing the Budget. I do not think the grain trade or the farmers would object to helping balance the Budget, even if

there was an added tax, but when you increase it so much I think that is going too far.

Mr. Chairman, I move as a substitute for all other motions that you strike out the figures "5 and 25 cents" and insert in lieu thereof "2 cents."

The CHAIRMAN. That amendment can not be offered at this time.

Mr. CRISP. Mr. Chairman, I ask unanimous consent that all debate on this amendment and all amendments thereto close in 20 minutes.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. DICKINSON. Mr. Chairman, I do not care to take up the time of the committee, but in view of the fact that I have just received a telegram from a grain company in Kansas City, in my section of Missouri, in relation to this subject, I will ask that it be read to the committee.

The CHAIRMAN. Without objection, the Clerk will read the telegram.

There was no objection.

The Clerk read as follows:

KANSAS CITY, Mo., March 30, 1932.

C. C. DICKINSON,
Congressman, Washington, D. C.:

I take it from the papers that it is proposed by the Ways and Means Committee to increase tax on all produce sales on exchanges, such as wheat, cotton, etc., from 1 cent per hundred dollars to 5 cents per hundred or an increase of 400 per cent. It seems to us that this would be an additional tax to farmers whose main problems are now taxes, as, on account of the low prices of grain, their taxes are very burdensome. It would also defeat its purpose of raising more revenue because it is bound to kill the trade, whereas the present tax brings in very substantial revenue to the Government. Also want to call your attention to the fact that there is no tax in the Winnipeg market which would greatly benefit by an increase in the tax in this country. Hate to bother you with such a lengthy message, but this is exceedingly important for the entire southwestern country, and hope you will use your influence to oppose this tax.

PAUL UHLMANN,
Vice President Uhlmann Grain Co.

Mr. SHANNON. Mr. Chairman, the gentleman from Arkansas said they were seeking information. The community I represent is perhaps one of the greatest grain centers in the world. To-day I have heard from approximately 200 of those engaged in the trade. The protest is the same in every case. Let this be sufficient for all. Here is a telegram from Mr. James N. Russell, who has been engaged in the trade for some 40 years. He says:

Government meddling has about ruined our grain business already. Proposed 400 per cent tax increase for commodity trading on exchanges is prohibitive. Farmers will indirectly suffer, and our business will go to Canadian markets. Please oppose.

Mr. OLIVER of New York. Mr. Chairman, I am opposed to the amendment introduced by my colleague [Mr. O'Connor]. I believe the amendment was introduced in a spirit of retaliation for the defeat of the contention of the New York delegation a few moments ago with reference to the stock exchange. I do not believe we should vote in revenge or in retaliation in the matter of taxation. New York is not here to destroy anybody. We are not here to get square with anybody. We were built by America. We tear ourselves down if we injure any part of the country.

I voted against the proposal of the committee in connection with the New York Stock Exchange because I saw it had widespread effects. The vote came so suddenly that no one seemed to have reliable information as to its effect. The stock exchange is the greatest credit institution in America. Men who voted to-day to punish the exchange for what happened up to 1929 shot wide of the mark. The business to-day, instead of being inflated by the wild promotions of the gamblers, as it was up to 1929, is, it seems to me, prompted in the largest degree by legitimate traders in securities endeavoring to keep their stocks in a liquid position for the benefit of the commerce of the Nation. If we destroy by taxation their effort to give securities a liquid value, we strike a deadly blow at both values and credit. Men representing great corporations are obliged to buy and sell 10 or 15 times a day their own securities. In this way they keep open opportunity for the liquidation

of securities in the hands of American investors. In this way, by the power of their purchases, they maintain the price of their stocks, upon which their credit at the banks is based. To-day we are taxing, not gambling, but the effort of business men to save their enterprises from financial collapse. The personal-income tax, the corporation tax, every other tax in this bill is dependent in the end upon the maintenance of the value of securities.

Once the tax on a turnover of securities chills or checks trade, at that moment the foundation of the whole bill falls. If securities ever become frozen like real estate, which has no daily market place, but which depends on the passer-by, no man can tell to what depths values will fall. Mr. LA GUARDIA's amendment is based upon the theory that if this tax drives trade in securities to Canada and other nations, then the Government which drives them out by the tax should follow them with the tax as a punishment for leaving. I do not know the full effect of the tax we have levied. But I do know it is levied in bad times on a delicate and important piece of financial machinery. It is not a weight on the muscles of trade but on the arteries of trade. A man can stand pressure on his biceps which he can not allow to be put on his jugular vein. A tax on commerce must be reckoned in a different way from a tax on credit.

For the same reason that caused me to vote against Mr. LA GUARDIA's amendment, I oppose the suggestion of my colleague from New York [Mr. O'CONNOR]. I shall not vote a tax as a penalty or as a retaliatory measure. The amendment proposing an increased tax on the trade in commodities is unsound.

New York is the greatest consumer of foodstuffs in the world. The minute we attempt to levy a tax on foodstuffs that minute we are levying something on the stomachs of our own poor.

I have voted consistently in this Congress to aid the farmer. New York is the greatest customer of the farmer, and the farmer is our greatest friend. I believe this would be a harsh blow to the farmer. I do not know whether the committee's amendment hits the farmer hard or not, but I do believe that the amendment of my colleague would do so, and therefore I oppose it as strenuously as I can. [Applause.]

Mr. NOLAN. Mr. Chairman, I appreciate the difficulty the committee has in finding sources of revenue, but at the same time I am fearful this amendment to increase the tax on these transactions 400 per cent will not bring the revenue which is expected, and that we would get just as much revenue by a more reasonable increase of 100 per cent, in accordance with the amendment offered by the gentleman from Illinois, increasing this from 1 cent to 2 cents.

Now there is a feeling, I imagine, that this tax is going to be levied upon speculative transactions on the grain exchanges. As a matter of fact, these grain exchanges are very necessary parts of our system of marketing. The grain farmer sells his grain to a local elevator and in most instances throughout the Northwest, these are cooperatively-owned elevators. The elevator must protect the producer by hedging upon every bushel it buys, otherwise it would be impossible for the elevator to do business on the small margin which it does. Any extra charge that is imposed upon the marketing of grain must be reflected in the price the producer gets for the grain he sells at the elevator.

In so far as the effect upon the grain exchanges is concerned, we know in my own city of Minneapolis that a large part of the business of the grain exchange has gone from Minneapolis to the city of Winnipeg because of legislation that has been passed by Congress handicapping and harassing the grain exchanges to no good purpose, and this excessive tax will send more of that business across the line. We are not going to abolish the grain exchanges. Our marketing act has not abolished them. As a matter of fact, the marketing organization set up under the marketing act makes use of these exchanges as a method of selling the grain, and they have not found anything as a substitute for them. They are a necessary and important part of our marketing system, and I leave it to the consideration of this committee if we probably can not get as much revenue by

reasonable increase of this tax of 100 per cent. If we go too far we will probably defeat the very purpose of the tax.

[Here the gavel fell.]

Mr. FULMER. Mr. Chairman, the other day I voted against the sales-tax feature of this bill because I believed it would be passed on to a people that are unable to pay same.

I believe on account of the lack of information this House will perhaps vote down the amendment of the gentleman from New York. I want to say to you that the transactions on the New York Cotton Exchange during any one year will amount to around 125,000,000 bales of cotton. In the meantime, less than one-half of 1 per cent of actual cotton is delivered on the New York Cotton Exchange.

Why, just about two months ago speculators on this exchange put out some propaganda in connection with the war between Japan and China, and were able to put cotton up, purely as a matter of speculation, about 1½ cents a pound. Since that time, and quite recently, they have put out propaganda as to the actions of this Congress in passing on this tax bill, and cotton has gone down 1½ cents a pound or below the lowest market price during this entire fall in the marketing of cotton.

My friends, here you have an opportunity to tax a class of people that are absolutely destroying the grain and cotton people of this country, and I hope the House will vote for the amendment of the gentleman from New York.

Mr. RAGON. Will the gentleman yield?

Mr. FULMER. Yes.

Mr. RAGON. I just want to correct a statement I made a while ago. I think in the first of my statement I said 1 mill when I should have said one cent and a half on a \$30 bale and two and a half cents on a \$50 bale.

Mr. FULMER. Yes. May I say to you that the tax under the committee amendment will amount to about three one-hundredths of a mill, and under the amendment of the gentleman from New York it will amount to less than one-fourth of a mill per pound.

Mr. VINSON of Georgia. Will the gentleman yield?

Mr. FULMER. Yes.

Mr. VINSON of Georgia. Does the gentleman think this tax can be passed on to the producers?

Mr. FULMER. My friends, even under the 25-cents amendment as offered by the gentleman from New York, it would be impossible to pass it on to the producer of cotton. I hope the committee will vote for the amendment of the gentleman from New York and let us raise this revenue which is so very necessary to balance the Budget of the Government. [Applause.]

Mr. HOPKINS. Mr. Chairman, I just want to take a minute to point out to you what I feel is an unfair discrimination against an industry that is already on its knees and crippled. I refer to the grain trade, farmers and commission men alike.

I realize in drafting a tax bill we are going to levy many taxes that are not going to be welcomed by most of those who pay the tax, but we must try to stay within reasonable limits. We have heard it said here by the proponents of both of these amendments that this tax will not be passed on to the consumer or charged back to the producer. I do not think this will be true in all cases, but if it is true, then it means this tax is going to be paid by the man who deals on the grain exchanges. It is going to be paid by the man who buys and sells wheat for the millers, farmers, and so forth.

Let us take a minute to consider this. The present brokerage commission on the grain exchanges is about one-fourth of 1 per cent; in other words, they get 25 cents on each \$100 worth of transactions. Now, this proposed tax is 5 cents per \$100. This means that if the tax is not going to be passed on, the grain-exchange members are going to pay 20 per cent of their income as a direct tax. I submit that this is an unreasonable tax.

Now, would it not be more reasonable to accept the amendment suggested or presented by the gentleman from Illinois or the amendment as it will probably be presented later, and make it 2 cents or even 3 cents. In this way it will take

only about 10 per cent of the gross income of every broker dealing upon our exchanges.

I do not have to take the time of this House to point out to you the great value of free, open, and competitive marketing as maintained by our exchanges. This tax will be a direct handicap to the entire grain trade. These people are good citizens and patriotic. They do not object to paying their share. But to increase the present tax by 400 per cent is going too far. It will work a great handicap on the grain sections of our country. I hope the House will reject the committee proposal and accept our substitute.

Mr. HART. Mr. Chairman and members of the committee, I not only represent an agricultural district, but I am perhaps the largest grower of wheat in my district. In addition to that I have had 30 years' experience in the marketing of grain. I do not mean on the exchange, but marketing cash grain. I say to you that the grain exchanges are as necessary to trade as the lifeblood of an individual is to his welfare. They can not operate without it.

I think I can show you in less than 1 minute that your tax will be passed on into your loaf of bread. Take the large miller operating in my State or anywhere else, selling 20,000 barrels of flour. This represents approximately 100,000 bushels of wheat. They immediately hedge that sale on the exchange in Chicago or Minneapolis, and the cost of hedging that sale, with the price of the wheat, goes into the cost of the flour and is passed on to the consumer. They can not operate in any other way. If you place this tax on the grain exchanges I assure you that it will go into the price of your loaf of bread.

The CHAIRMAN. The question is on the amendment of the gentleman from New York to the committee amendment.

The question was taken, and the amendment was rejected.

Mr. ADKINS. Mr. Chairman, I offer the following amendment.

The Clerk read as follows:

Amendment by Mr. ADKINS to the committee amendment: Line 5 of the committee amendment, strike out the figure "5" and insert the figure "2."

The CHAIRMAN. The question is on the amendment.

The question was taken; and on a division (demanded by Mr. ADKINS) there were 35 ayes and 75 noes.

So the amendment was rejected.

The CHAIRMAN. The question now is on the committee amendment.

The question was taken, and the committee amendment was agreed to.

Mr. CRISP. Mr. Chairman, by direction of the committee, I offer the following amendment:

The Clerk read as follows:

Committee amendment: Page 259, after line 12, insert a new section, as follows:

"SEC. —. STAMP TAX ON CONVEYANCES

"Schedule A of Title VIII of the revenue act of 1926 is amended by adding at the end thereof a new subdivision to read as follows:

"8. Conveyances: Deed, instrument, or writing, delivered on or after the 15th day after the date of the enactment of the revenue act of 1932 and before July 1, 1934, whereby any lands, tenements, or other realty sold shall be granted, assigned, transferred, or otherwise conveyed to or vested in the purchaser or purchasers, or any other person or persons, by his, her, or their direction, when the consideration or value of the interest or property conveyed, exclusive of the value of any lien or encumbrance remaining thereon at the time of sale, exceeds \$100 and does not exceed \$500, 50 cents; and for each additional \$500 or fractional part thereof, 50 cents. This subdivision shall not apply to any instrument or writing given to secure a debt."

Mr. CRISP. Mr. Chairman, this is another one of the taxes that we reluctantly had to recommend to you to raise money to balance the Budget. The amendment explains itself. It is a tax on real-estate transfers, 50 cents for each \$500. It is the same law that was enacted in the 1924 act. This amendment further provides that this is an emergency matter and ends on July 1, 1934, and it is estimated that it will yield \$10,000,000.

Mr. LA GUARDIA. Will the gentleman yield?

Mr. CRISP. I yield.

Mr. LA GUARDIA. Listening to the reading of the amendment, it seems to me that I should call the gentleman's at-

tention to the fact that I do not believe it is sufficiently broad to cover cases of leaseholds. For instance, in large cities it is customary for property to be leased for 99 years or for a hundred years. In our State everything over one year is a deed and must be recorded. Whether the wording of the gentleman's amendment is broad enough to cover conveyances of that kind, I do not know. I wanted to call the gentleman's attention to it, because I am sure it is in the contemplation of the gentleman's amendment to cover transactions of that kind.

Mr. CRISP. I thank the gentleman; we will look into it, and if necessary the committee will offer a further amendment.

Mr. PATTERSON. Will the gentleman yield? There was so much confusion during the reading of the amendment that I did not catch the whole of it. I would like to ask the gentleman if it covers mortgage notes?

Mr. CRISP. In estimating the value to which the 50 cents per \$500 shall apply, the amount of mortgages and deeds is deducted, and they are free from paying this tax.

Mr. THATCHER. Where deeds are made with purchase-money loan, the deduction would be made just the same as in a mortgage bank?

Mr. CRISP. Yes.

Mr. THATCHER. And what is the yield?

Mr. CRISP. Ten million dollars.

Mr. MCGUGIN. Mr. Chairman, if there is any part of this tax which should be opposed on principle, it is this amendment we are now considering. I realize that the rate is small. However, it is a penalty on the transfer of real estate. Of all the provisions of this entire tax bill which to my mind is an insult to principle and common fairness, it is this provision. Here we find the Government of the United States coming just as near as it can to taxing real estate. It is reaching out now to tax the conveyance of it. I can not see how those of you who could not bear the thought of a manufacturers' tax of 2¼ per cent, on the basis of keeping faith with your principle against the sales tax, can swallow this provision. What are the facts? Throughout the breadth and length of our land to-day real estate is being confiscated by taxation. Local taxes on real estate are far in excess of any form of tax in the country to-day. We find farms and homes by the countless thousands to-day sold under forced sale; and where mortgages are not foreclosed, the poor victims are trying to get out what they can, selling their equities at forced sale, and they are the ones who will be penalized by this tax. As the amount of the tax is small in each instance, likewise I bring to your attention that the amount of the revenue, \$10,000,000, is small. I appeal to this House, while we are thinking something about principle in writing a tax bill, not to reach out and take the last few pennies from some one who is now being forced to sell his farm or home at bankrupt prices. Here is the great Congress of the United States trying to reach out and gather \$10,000,000 from whom? The real-estate owners of this country who are forced to sell. No one will sell real estate on the depressed market of to-day and for the coming two years except that he is forced to do so. This comes just as near to taking the coppers off a dead man's eyes as it is possible for us to do it in writing a tax bill.

Mr. GLOVER. Mr. Chairman, the principle was laid down the other day by our distinguished leader on taxation which I have thought much of since he made the declaration. He said that after 25 years of experience in writing tax bills that the way to do it was simple, and that he would give the remedy to this House. He said that after he gave it to us we could apply it as well as he could. You remember what it was. He said to pick the goose that would squawk the least. You have practiced that in many instances in this bill. Of course, you got hold of a goose a little while ago—the exchanges—that did some squawking and it squawked considerable, but you plucked it, and I think justly so.

In this bill you have taxed the baby's chewing gum, you have taxed its candy, you have taxed matches, and you have taxed practically everything that enters into the home, and now you have put a little tax on cotton when sold through exchanges, and you propose to get that fellow

who is oppressed to where he can not get out from under the burden that he is in with the conditions as they are, and he is going to be forced to sell his land. When he is forced to sell it you are going to reach your hand in and take a piece of that away from him. We had a bill here on the floor the other day that you ruthlessly killed, and some of the gentlemen on this side declared it was the most vicious bill that has been brought into this House. There are hundreds and thousands of farmers involved in that section who will have to sell their land, and when they do, under this provision you are going to reach your hand in a little farther and take away from that fellow a little bit of that which he is forced to sell it for. I do not believe this Government is in a position now where we are forced to go to this kind of legislation. I hope some of the amendments that have been adopted here to this bill will be voted down when we get into the House. I tried to get recognition against the 3-cent postage. I am bitterly opposed to that. It will not raise as much revenue as we have now from a 2-cent postage. I say when you go out into this field for taxes and tax the poor man who is forced to sell his property that is under mortgage, as many will have to do, you are doing an absolutely irreparable injury to the man who can not help himself.

Mr. RANKIN. Mr. Chairman, will the gentleman yield?

Mr. GLOVER. Yes.

Mr. RANKIN. What is the gentleman's understanding of this amendment—that this would tax a transfer where land was sold under a mortgage?

Mr. GLOVER. I understand it affects the value and taxes him 50 cents for every \$500 worth of value when he sells it.

Mr. RANKIN. In my State and in a great many other States we use a deed of trust instead of a mortgage. That transfers title to a trustee. Would he have to pay a tax on that? If a man who has to borrow money on his land to get provision to make a crop is going to be compelled to pay a tax, why do we let these foreign corporations go free?

Mr. GLOVER. I understand this amendment provides for a tax only with reference to sales.

Mr. RANKIN. That is a sale, a transfer.

Mr. GLOVER. It is hypothetically so, but it is not a sale in fact.

Mr. COX. Will the gentleman yield?

Mr. GLOVER. Yes.

Mr. COX. The amendment reads as follows:

Deed, instrument, or writing, delivered on or after the fifteenth day after the date of the enactment of the revenue act of 1932 and before July 1, 1934, whereby any lands, tenements, or other realty sold shall be granted, assigned, transferred, or otherwise conveyed to or vested in—

And so forth. The gentleman, of course, is familiar with the practice that has grown up in the last several years whereby equitable mortgages are given in lieu of statutory liens?

[Here the gavel fell.]

Mr. GLOVER. Mr. Chairman, I ask unanimous consent to proceed for five additional minutes.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. COX. Conveyances of the character referred to by the gentleman from Mississippi convey the title to the property itself, which is a better security than a mere mortgage lien. Is the gentleman certain that on such a conveyance as that this proposed amendment would not impose a tax?

Mr. GLOVER. That might be, because I have not studied it. We have not had an opportunity to have any knowledge whatever about the amendments of this character which were to be offered. We should have had prints which would have given us some idea about the amendments proposed to be offered, so that we might have studied them ourselves. There is not a man on this floor—and I speak advisedly—unless it be the members of the committee, who knows what is in this bill now.

Mr. COX. Let me say to the gentleman it was evidently the intention of the committee that deeds given as

security for borrowed money should not be taxed; but under the language as I was able to follow it, I am not sure but that it does reach that kind of a transaction.

Mr. GLOVER. From what I could gather from it after one reading of it it is my understanding that it would apply only to sales, but if you go that far you are going to reach a class that ought not to be taxed.

Mr. CRISP. Will the gentleman yield?

Mr. GLOVER. Yes.

Mr. CRISP. The amendment proposes and specifically says:

This subdivision shall not apply to any instrument or writing given to secure a debt.

Mr. GLOVER. That is my understanding, as I caught the reading of the amendment. But we have not reached a point in the United States Government where we are forced to go out with a dragnet of this kind and try to get taxes. I regret very much many of the expressions that have been made on the floor of this House with reference to the credit of this great Nation of ours. I do not believe we are insolvent. I do not believe we are in danger of bankruptcy or anything of that kind. That is talk put out for the purpose of putting a revenue bill over.

Mr. YON. Will the gentleman yield?

Mr. GLOVER. Yes.

Mr. YON. The Government might not be bankrupt, but most of its citizens are.

Mr. GLOVER. Oh, yes. They are not only that, but when you put through these taxes they are going to be worse off than they are now.

Mr. CRISP. Mr. Chairman, I move that all debate on this amendment and all amendments thereto close in 10 minutes.

The motion was agreed to.

Mr. RANKIN. Mr. Chairman, on the face of it, this tax on land transfers looks like a very small tax, but in fact it is going to be a very heavy burden on the man who to-day is in debt and who has to sell his land in order to meet his obligations. For instance, on the first \$500 he pays 50 cents and for each additional \$500 or fractional part thereof 50 cents. As a rule the farmers of this country are already bankrupt. They went bankrupt first, and, as I have said before, you are not going to end this depression until you restore their prosperity.

The average man with a farm valued at \$10,000 has no more than a \$1,000 equity in it. When he sells it in order to straighten it out he must pay this tax on the whole \$10,000.

We had this trouble during the war, and above all things this is the most burdensome tax that has been proposed on the man who is to-day forced to sell off a part of or all of his land in order to straighten out his debts. When he is put in that position you come along and place a tax on him which is a terrific burden.

Mr. BACON. Will the gentleman yield?

Mr. RANKIN. Yes.

Mr. BACON. How about the man who has a few shares of stock or a few bonds?

Mr. RANKIN. I have not much sympathy with those people who are engaged in gambling in stocks and bonds.

Mr. BACON. I am not talking about Wall Street gambling.

Mr. RANKIN. I have not much sympathy with the men who went into Wall Street during the inflation of 1929, engaged in the most vicious kind of gambling, and induced innocent people to invest all they had in stocks that were practically worthless. I am rather getting a little "malignant pleasure" out of seeing them have to pay a little tax, because they are largely responsible for bringing about this condition.

Mr. GILCHRIST. Does the gentleman think there is any difference between selling stocks on the market and going out and selling a man's home which must be sold in order to redeem it from the sheriff?

Mr. RANKIN. Of course I do. Besides, when he sells his home he has no home, but when he is selling stocks on the exchange he is invariably selling stocks that never existed.

Besides, this is an entirely different proposition. As I have said, this is the most burdensome tax you have put on the farmers since this Congress convened. I know, because I saw men pay it before, when they had to pay on the entire amount specified in the transfer when they invariably had hardly enough equity in the land to pay the tax.

Mr. GILCHRIST. Will the gentleman yield further?

Mr. RANKIN. Yes.

Mr. GILCHRIST. Assuming a farmer has a mortgage of \$20,000 and he has a chance to redeem it within a week and he goes to the banker, then what does this tax do to him? It simply taxes him, in spite of the little equity he has, on the \$20,000 in order that he may get a chance to get something out of his home.

Mr. RANKIN. Yes; he will pay the tax on \$20,000 when he hardly has enough equity in it to pay the tax. This tax is unreasonable, and if it goes in the bill I shall have the roll called on it in the House, if I can, and try to strike it out.

[Here the gavel fell.]

Mr. STAFFORD. Mr. Chairman, the proposed amendment seeks to levy a tax of one-tenth of 1 per cent on the equity that a man may have in real estate when he sells it—no more, no less—one-tenth of 1 per cent is sought to be levied on the landed gentry of this country on the equity he may have when he sells it.

Mr. HASTINGS. Is there a minimum charge here?

Mr. STAFFORD. There is; not less than 50 cents on every \$500 of valuation.

Now, the chairman of the committee has pointed out that this does not apply to conveyances in the form of mortgages. It is specifically applicable to sales of real estate. So far as the farming districts of my State are concerned, the farmers are not disposing of their lands. They are not selling their land, and generally it is not in the rural districts where these transactions largely take place. These transactions in much greater proportion take place in the cities and again, as in the case of the postage-stamp proposal, that burden of 50 per cent added tax, as I said on yesterday, is to be borne largely by the cities, because the mercantile centers of the country support the first-class mail to the extent of 75 or 80 per cent.

So here, again, we have a false alarm upon the part of the so-called friends of the farmer who think they may be pinched just a little in this dire extremity of raising taxes.

Now, I know there are some Representatives from States that lose representation, and they are rather uneasy of mind on every occasion, and they will have to rise up here and speak for the people. We have had that kind of agitation in times past in my State—speaking for the people.

Mr. WITHROW rose.

Mr. STAFFORD. I yield to my colleague, who in times past may have risen on the rostrum to speak for the people.

Mr. WITHROW. The gentleman from Wisconsin comes from the city and does not have any farms in his district.

Mr. STAFFORD. Yes; I come from the city; and I am contending that there are more real-estate transactions in the city per valuation than in the farming communities, and in Waukesha County, adjoining Milwaukee, I will make the assertion that the transfers of real estate are infinitesimal, and further that they are but a vulgar fraction of the number of transfers as compared to the cities. Why, the far greater proportion of this tax will come from the large cities. The tax is considerable on the transfer of a large mercantile or office building. I venture the statement that the value of the Empire Building is more than the assessed valuation of real property in some agricultural States. At least is of greater value than the value of all the land transactions in a year in some States.

We had this law in effect here from 1917 to 1924. It was not an onerous tax. I never heard any persons who had anything to sell complaining of a little one-tenth of 1 per cent tax on the value of the property sold.

If there is anything consistent with our policy of taxing those who can afford to be taxed, it is the man who has real estate, and in this proposal we are only seeking to tax the equity in the property.

Mr. WOODRUFF. Will the gentleman yield?

Mr. STAFFORD. I yield to my colleague.

Mr. WOODRUFF. The gentleman from Oklahoma asked a moment ago if there were a minimum fee, and the gentleman from Wisconsin stated there was. I will ask the gentleman from Wisconsin if that minimum fee is applied to any real-estate transaction involving less than \$500?

Mr. STAFFORD. Where it exceeds \$100 but does not exceed \$500 the fee is 50 cents, or at the rate of \$1 per thousand. One dollar per thousand, if my mathematics is correct, is one-tenth of 1 per cent.

[Here the gavel fell.]

The CHAIRMAN. All time has expired. The question is on the adoption of the committee amendment.

Mr. JOHNSON of South Dakota. Mr. Chairman, I desire to oppose the amendment and ask unanimous consent to proceed for 10 minutes out of order.

Mr. CRISP. I shall have to object, Mr. Chairman.

The question was taken; and on a division (demanded by Mr. CRISP) there were—ayes 118, noes 45.

Mr. RANKIN. Mr. Chairman, I ask for tellers.

The CHAIRMAN. The gentleman from Mississippi demands tellers. All those in favor of taking this vote by tellers will rise and stand until counted. [After counting.] Eleven Members have risen, not a sufficient number, and tellers are refused.

So the committee amendment was agreed to.

Mr. CRISP. Mr. Chairman, I offer the following amendment.

The Clerk read as follows:

Page 259, after line 12, insert a new section to read as follows:

Committee amendment: Page 259, after line 12, insert a new section to read as follows:

"SEC. —. STAMP TAX ON TRANSFER OF BONDS, ETC.

"(a) Schedule A of Title VIII of the revenue act of 1926 is amended by adding at the end thereof a new subdivision to read as follows:

"9. Bonds, etc., sales or transfers: On all sales, or agreements to sell, or memoranda of sales or deliveries of, or transfers of legal title to any of the instruments mentioned or described in subdivision 1, whether made by any assignment in blank or by any delivery, or by any paper or agreement or memorandum or other evidence of transfer or sale (whether entitling the holder in any manner to the benefit of such instrument or not), on each \$100 of face value or fraction thereof, 2 cents: *Provided*, That in no case shall the tax imposed by this subdivision be less than one-eighth of 1 per cent of the selling price, if any, of such instrument: *Provided further*, That it is not intended by this title to impose a tax upon an agreement evidencing a deposit of instruments as collateral security for money loaned thereon, which instruments are not actually sold, nor upon the delivery or transfer for such purpose of instruments so deposited: *Provided further*, That the tax shall not be imposed upon deliveries or transfers to a broker for sale, nor upon deliveries or transfers by a broker to a customer for whom and upon whose order he has purchased same, but such deliveries or transfers shall be accompanied by a certificate setting forth the facts: *Provided further*, That where the change of ownership is by transfer of the instrument the stamp shall be placed upon the instrument; and in cases of an agreement to sell or where the transfer is by delivery of the instrument assigned in blank there shall be made and delivered by the seller to the buyer a bill or memorandum of such sale, to which the stamp shall be affixed; and every bill or memorandum of sale or agreement to sell before mentioned shall show the date thereof, the name of the seller, the amount of the sale, and the matter or thing to which it refers. Any person liable to pay the tax as herein provided, or anyone who acts in the matter as agent or broker for such person, who makes any such sale, or who in pursuance of any such sale delivers any certificate or evidence of the sale of any such instrument, or bill or memorandum thereof, as herein required, without having the proper stamps affixed thereto, with intent to evade the foregoing provisions, shall be deemed guilty of a misdemeanor, and upon conviction thereof shall pay a fine of not exceeding \$1,000, or be imprisoned not more than six months, or both."

"(b) Subsection (a) shall take effect on the fifteenth day after the date of the enactment of this act.

"(c) Subdivision 9 of Schedule A of Title VIII of the revenue act of 1926, added to such schedule by subsection (a) of this section, is repealed effective July 1, 1934."

Mr. CRISP. Mr. Chairman and gentlemen, this amendment levies a tax on the transfer of bonds. The amendment

provides that there shall be one-eighth of 1 per cent tax on the transfers, and in all cases at least 2 cents on a hundred dollars. It is estimated to yield \$13,000,000, and under the terms of the amendment it expires on July 1, 1934, as an emergency matter.

Mr. RANKIN. Will the gentleman yield?

Mr. CRISP. Certainly.

Mr. RANKIN. Is this tax on the face value of the bonds?

Mr. CRISP. It is one-eighth of 1 per cent on the selling value of the bonds, because some bonds might have a par value of \$100 and sell for much less.

Mr. COX. This amendment extends the principle of the other amendment—the tax on the transfer of other property. Let me ask the gentleman this question: Why do you levy a heavier tax on this species of property than you did on land?

Mr. CRISP. Because, as a rule, we are trying to levy a tax on those best able to pay the tax.

Mr. PATTERSON. Will the gentleman yield?

Mr. CRISP. I yield.

Mr. PATTERSON. The gentleman has not inserted the same provision with regard to the expiration of the tax in other amendments.

Mr. CRISP. Yes; in every one of the amendments.

Mr. PATTERSON. Then I overlooked it.

Mr. CRISP. In every one of these special cases there is a provision for it to expire on July 1, 1934.

Mr. FULLER. Will the gentleman yield?

Mr. CRISP. I will.

Mr. FULLER. Would this cover an escrow contract for the sale of land?

Mr. CRISP. No.

Mr. CELLER. Will not this tax on bonds and debentures and securities of that sort have a tendency for the broker to make his transfers outside of the country—Montreal, or other places?

Mr. CRISP. I do not think so. I am not going to attribute to these gentlemen who operate the stock exchange, and brokers, a want of patriotism, a desire to evade taxes levied upon them to help maintain their Government. I am going to give them credit for honesty and patriotism until the contrary is proved.

Mr. CELLER. I do not quite agree that a man is unpatriotic because he seeks to lessen the cost of transfer any more than I would make the charge against a man who wants to use some method to reduce his income tax.

The gentleman from New York [Mr. LaGuardia] offered an amendment which sought to tax those who make transfers out of the country. Does the gentleman think that amendment is workable in taxing transfers outside of the country?

Mr. CRISP. Let me say to the gentleman that I really have not had time to consider that amendment. I do not know, and therefore have no opinion whatever. The gentleman from New York [Mr. LaGuardia] courteously showed me the other day a copy of the amendment, but you gentlemen who have been here know that I have had no chance to consider these matters or look up the law on the subject.

Mr. CELLER. Mr. Chairman, I move to strike out the last word. I do not wish to take up the time of the committee unduly, but, gentlemen, you have heard the distinguished acting chairman of the Committee on Ways and Means state that he has been overburdened with duties, that it has been difficult for him to properly digest these amendments as they have been carried in this House, and I say most assuredly that it is a sad commentary upon the proceedings of the House when we pass an amendment of the character of that offered by the gentleman from New York [Mr. LaGuardia] without mature deliberation, without even knowledge on the part of some of the members of the Ways and Means Committee as to what the amendment imports or what it means. Of all the half-baked, illogical, ill-considered amendments that I have ever heard of, it is the worst. I refer to his amendment concerning taxing transfers made in Canada.

Mr. LaGuardia. The gentleman has not even read it.

Mr. CELLER. Oh, I have read the amendment most carefully. It was put into the Record last Saturday.

Mr. LaGuardia. I bet the gentleman can not give the substance of it now.

Mr. CELLER. I can give it, but I am not going to take up the time of the others Members of the House to do it. I read it very carefully. It is long and involved, and was characterized by the gentleman himself to-day as "crude." Yet we have willy-nilly passed that amendment. It will not stand muster in the Senate. If you pass amendments of that character for the sake of dumping the situation into the lap of the Senate, I grant that that may be proper, as far as the gentleman from New York may be concerned. I have nothing personal against the gentleman from New York. He and I differ frequently, not only across the committee table but in the House, but passing heedlessly such an amendment ought to be a warning to us not to take these amendments and swallow them hook, line, and sinker without knowing what they are all about.

This tax that the committee offers on the transfer of debentures and bonds is perfectly proper in the sense that you passed a similar tax, twice in amount, on the transfers of securities. One is complementary to the other, and I say that these men who want to transfer their securities are going to transfer them in the cheapest possible way, and we can not attribute to these men unpatriotic motives. We can not stop them from effecting transfers in Montreal. It is a matter of business. If I had a large number of debentures that I wanted to transfer and I could go to the Royal Bank of Canada or Bank of Montreal and transfer my securities through either bank, I defy any man to say that I am unpatriotic because I am saving the taxation by making that kind of transfer.

Mr. LaGuardia. My amendment will not permit the gentleman to do it.

Mr. CELLER. Your amendment is meaningless. It could not be administered. It would not work. It would be thrown out by all courts.

Mr. HARLAN. Is it not a fact that the Montreal Exchange places a straight tax of 3 cents a hundred on bonds?

Mr. CELLER. I do not think that is the case. I may be wrong. I have not looked it up in the last day or two, but the hearings show that the tax on security transfers is less in Canada than here.

Berlin tried the same thing in 1906; that is, taxed transfers unduly, and what happened? All of the business went to London and Paris, and in a short time they repealed the tax on transfers and attempted to get back their lost prestige. They did not succeed. The business lost stayed lost.

New York likewise taxed unduly and lost out to Chicago.

Mr. CRISP. Mr. Chairman, I move that all debate upon this amendment and all amendments thereto do now close.

The motion was agreed to.

The CHAIRMAN. The question is on agreeing to the committee amendment.

The amendment was agreed to.

Mr. CRISP. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Committee amendment offered by Mr. CRISP: Page 259, after line 12, insert a new part, as follows:

"PART —. TAX ON TRANSPORTATION OF OIL BY PIPE LINE

"SEC. —. TAX ON TRANSPORTATION OF OIL BY PIPE LINE

"(a) There is hereby imposed upon all transportation of oil by pipe line originating on or after the fifteenth day after the date of the enactment of this act and before July 1, 1934—

"(1) A tax equivalent to 8 per cent of the amount paid on or after the fifteenth day after the date of the enactment of this act for such transportation, to be paid by the person paying for such transportation and to be collected by the person furnishing such transportation.

"(2) In case no charge for transportation is made, either by reason of ownership of the commodity transported or for any other reason, a tax equivalent to 8 per cent of the fair charge for such transportation, to be paid by the person furnishing such transportation.

"(3) If (other than in the case of an arm's length transaction) the payment for transportation is less than the fair charge there-

for, a tax equivalent to 8 per cent of the difference between such fair charge and the amount paid for such transportation, to be paid by the person furnishing such transportation.

"(b) For the purposes of this section the fair charge for transportation shall be computed—

"(1) From actual bona fide rates or tariffs, or
 "(2) If no such rates or tariffs exist, then on the basis of the actual bona fide rates or tariffs of other pipe lines for like services, as determined by the commissioner, or

"(3) If no such rates or tariffs exist, then on the basis of a reasonable charge for such transportation, as determined by the commissioner.

"(c) Every person collecting the tax imposed under subsection (a) (1) and every person liable for the tax imposed under subsection (a) (2) or (3) shall make monthly returns under oath in duplicate and pay such taxes to the collector for the district in which is located his principal place of business, or, if he has no principal place of business in the United States, then to the collector at Baltimore, Md. Such returns shall contain such information and be made at such times and in such manner as the commissioner, with the approval of the Secretary, may by regulations prescribe.

"(d) The tax shall, without assessment by the commissioner or notice from the collector, be due and payable to the collector at the time so fixed for filing the return. If the tax is not paid when due, there shall be added as part of the tax, interest at the rate of 1 per cent a month from the time when the tax became due until paid.

"(e) Any person making a refund of any payment upon which tax is collected under this section may repay therewith the amount of the tax collected on such payment; and the amount so repaid may be credited against amounts included in any subsequent monthly return.

"(f) The provisions (including penalties) of section 1114 of the revenue act of 1926 shall be applicable with respect to the taxes imposed by this section.

"(g) The commissioner, with the approval of the Secretary, shall prescribe and publish all needful rules and regulations for the enforcement of this section."

Mr. CRISP. Mr. Chairman, this amendment levies a tax upon the transportation of oil through pipe lines, the tax being 8 per cent of the charge for the service of transporting the oil, those receiving the service to pay the tax. The amendment further provides that where the owners of the oil themselves own the pipe line and use their own line to transport the oil they must pay the same tax. This amendment is estimated to yield \$15,000,000, and under the terms of the amendment it also expires by operation of law on July 1, 1934.

Mr. BLANTON. Mr. Chairman, will the gentleman yield?

Mr. CRISP. Yes.

Mr. BLANTON. Is there to be any tax on the transportation of oil by rail, or has the committee considered that?

Mr. CRISP. So far as I know, the committee has not made any recommendation.

Mr. BLANTON. For instance, there are many oil fields that are served both by pipe lines and by railroads, where the pipe lines take a certain portion and the railroads handle thousands of tank cars from the fields.

Mr. CRISP. I do not want the gentleman to take all of my time.

Mr. BLANTON. Why discriminate in favor of railroads and against the pipe-line companies, that are helpful to the oil field and oil production?

Mr. CRISP. I do not yield any further. The answer is that the pipe-line companies are making money and the railroads are going into the hands of receivers and many of their employees are without a job.

Mr. HOCH. Mr. Chairman, will the gentleman yield?

Mr. CRISP. Yes.

Mr. HOCH. Can the gentleman tell us what the average transportation charge per barrel is?

Mr. CRISP. I am sorry to say that I do not know.

Mr. HOCH. I am trying to get at what the tax per barrel would be on an average under this amendment.

Mr. CRISP. I am sorry that I can not answer the question. The tax is 8 cents on the carrying charge. How much that would be on a barrel I am unable to answer.

Mr. HOCH. In order to estimate \$15,000,000 some one must have estimated the average transportation charge per barrel.

Mr. CRISP. The experts advised me that they took into consideration the amount the tax brought before and they made this estimate based on that, allowing for the depreciation in business and the present economic condition.

Mr. HOCH. The attitude of some of us toward this amendment would depend a great deal on how much of a tax that is.

Mr. CRISP. I appreciate that, and I regret I can not answer my friend's question.

Mr. CROWTHER. Will the gentleman yield?

Mr. CRISP. Yes.

Mr. CROWTHER. In connection with the question asked by the gentleman from Texas, is it not true there is a differential in rates between railroads and pipe lines? Are not the railroad rates fixed by the Interstate Commerce Commission?

Mr. CRISP. Exactly.

Mr. GLOVER. Will the gentleman yield?

Mr. CRISP. Yes.

Mr. GLOVER. Does this amendment affect the carrying of natural gas through pipe lines?

Mr. CRISP. No; it does not.

Mr. GLOVER. Does the gentleman intend to offer any amendment to that effect?

Mr. CRISP. The gentleman's colleague is the chairman of this subcommittee and his colleague, the chairman of the subcommittee, together with his associates, recommended this amendment to the full committee, and the full committee approved it. That subcommittee is still in existence and may make other recommendations. However, I can not be sure what they are going to do.

Mr. EATON of Colorado. Will the gentleman yield?

Mr. CRISP. Yes.

Mr. EATON of Colorado. How can the gentleman justify an 8 per cent tax in this case, when the other taxes were one-tenth of 1 per cent and one-fourth of 1 per cent?

Mr. CRISP. I will say to my friend there never has been and never will be a tax law that is absolutely perfect or equitable. The taxes in this bill are not uniform. Some of them go as high as 10 per cent, others are 5 per cent, and others 3 per cent.

[Here the gavel fell.]

Mr. BLANTON. Mr. Chairman, I hold no brief for the pipe lines. They doubtless deserve all the criticism heaped upon them. But I do have the right to speak for the independent oil producers of the country, many of whom are my constituents and live and do business in my district.

Why should you tax the transportation charges of oil in a pipe line and not tax the transportation charges by rail? You take the trunk-line Texas & Pacific Railroad Co. Until the big oil fields were established in western Texas it was not paying a dividend; it could hardly pay expenses, but as soon as those oil fields were opened up they began to carry many thousands upon thousands of tank cars of oil for long hauls, and it was not long until it rehabilitated its entire system and it paid big dividends for the first time in its history.

Why should you grant a discrimination in favor of the railroads as against the pipe lines?

I want to go along with the committee in framing a bill that will balance the Budget and that will produce all the revenue needed. If they will treat the railroads in the same way they are treating the pipe lines, certainly this provision would be a good one and there would be no argument against it, but there ought not to be this discrimination against pipe lines in favor of the railroads.

What is it about the railroads that they should be able to come into Congress and ask everything of the Congress and get everything? One day they get a bill passed that grants them \$2,000,000,000. They are going to gobble up most of it, and it has been said on the floor that in a few years the Government of the United States will own every busted railroad in the country and the Government will be called upon to operate them at great expense.

Mr. DIES. Will the gentleman yield?

Mr. BLANTON. Yes.

Mr. DIES. The gentleman realizes there is this difference: The Federal Government has its money invested in the rail-

roads, and if we put this tax on the pipe lines, it will mean that the small royalty owner and producer will have to pay it.

Mr. LaGUARDIA. Will the gentleman yield?

Mr. BLANTON. Yes.

Mr. LaGUARDIA. I will say this to the gentleman, that if this committee amendment is approved by the committee there is no argument left against the tariff put on oil.

Mr. BLANTON. Mr. Chairman, I offer a perfecting amendment to the committee amendment by inserting the words "and railroads" after the words "pipe line" wherever those words appear in the committee amendment.

The CHAIRMAN. The gentleman from Texas offers an amendment, which the Clerk will report.

The Clerk read as follows:

Amendment offered by Mr. BLANTON: Wherever the words "pipe line" occur in the committee amendment insert the words "and railroads."

Mr. RAYBURN. Mr. Chairman, I want to say just a word with reference to the amendment offered by my colleague from Texas. A long time ago I came to the conclusion that if there is a tax on earth that is not justified it is that on transportation. Especially is that true with reference to railroad transportation.

The Interstate Commerce Commission does not fix the rate on pipe lines, but it does fix the rate on every railroad. It fixes those rates, under the law, at what are presumed to be just and reasonable rates.

Mr. BLANTON. Will the gentleman yield in that connection?

Mr. RAYBURN. Yes.

Mr. BLANTON. On interstate traffic in oil through pipe lines the Interstate Commerce Commission does fix the rate.

Mr. RAYBURN. That is not my understanding.

Mr. BLANTON. Our railroad commission in Texas has control over the pipe lines in Texas.

Mr. RAYBURN. I understand that, of course.

But the Interstate Commerce Commission, allow me to repeat, under the law, is supposed to fix a rate that is just and reasonable, not to be below what is just and reasonable to the railroads and not to be above what is just and reasonable to the shipper.

If the Interstate Commerce Commission has its mass of rates throughout the country fixed at this time at what it believes is just and reasonable to the shipper and just and reasonable to the railroads, as it must be under the law or the railroads will go into the courts and set them aside, then if you put a tax or an additional charge upon transportation, the only thing under the law the Interstate Commerce Commission can do—and the railroads can force them into the courts to do—is to raise the rates up to where they would earn what is supposed to be a just and reasonable return.

Mr. KVALE. Will the gentleman yield?

Mr. RAYBURN. Yes.

Mr. KVALE. Will not the committee amendment standing by itself reduce the differential between the cost of transportation by rail and by pipe line?

Mr. RAYBURN. I do not know that I understand the gentleman's question.

Mr. KVALE. Will not the committee amendment standing by itself, without the amendment proposed by the gentleman from Texas [Mr. BLANTON], reduce the differential in cost of transportation by rail and by pipe line?

Mr. RAYBURN. That may be true; and allow me to say also that we have had before our committee for the last month Commissioner Eastman, and nobody thinks that Commissioner Eastman is prorailroad. Nobody who has heard him before the committee but that thinks he is a very careful man. Commissioner Eastman has been very frank with our committee in saying that this great railroad industry at this time is upon the verge of bankruptcy. Some of the vast systems in the country are crumbling on the brink of receiverships; and I do not think this Congress could do a more unfortunate thing, especially at this time, than to put an additional charge upon transportation.

For this reason I trust the amendment of my colleague may not be adopted.

Mr. STAFFORD. Will the gentleman yield?

Mr. RAYBURN. Yes.

Mr. STAFFORD. The gentleman is an authority on transportation matters, and the gentleman has stated that transportation by pipe line is not subject to the jurisdiction of the Interstate Commerce Commission, or, rather, that transportation of oil by pipe line has not been supervised as to their rates by the Interstate Commerce Commission.

Mr. RAYBURN. That is true.

Mr. STAFFORD. The gentleman from Georgia presents the fact that the transportation of oil by pipe lines has been very profitable; and why? As I surmise, because they reduce their rates just slightly below those for the carriage of oil by railroads so as to capture the business. If this is a tax on a profitable conveyance, are we not indirectly helping the railroads out of their prospective receiverships by taxing the unregulated transportation of oil by pipe line, which industry is making hundreds of thousands of dollars? Why should we not tax them? I am in sympathy, I will say to the gentleman, with his position that we should not tax transportation, but here we are taxing income for the benefit, indirectly, of the flattened railroads.

Mr. RAYBURN. And I will say to the gentleman from Wisconsin that some of the pipe lines in this country that file reports with the Interstate Commerce Commission made as high as 400 per cent on their valuations last year.

Mr. HASTINGS. And, of course, the pipe lines would just raise the price 8 per cent and pass it on to the producers of oil.

Mr. STAFFORD. No; they will absorb it, because their rates are determined by the rates the railroads are compelled to charge.

Mr. CRISP. Mr. Chairman, I ask unanimous consent that all debate on this amendment and all amendments thereto close in 25 minutes.

Mr. JOHNSON of South Dakota. Mr. Chairman, reserving the right to object, I want three additional minutes. I have not talked on the tax bill yet, and I would like to have eight minutes.

Mr. CRISP. Mr. Chairman, I hope my friend from South Dakota will not object. Gentlemen, may I say that it is my earnest desire that we go on with this bill to-night until we complete its consideration in Committee of the Whole and begin to-morrow to take votes on it. I am going to ask the committee to sit until we do make substantial progress with the bill, if it takes until 10 or 11 or 12 o'clock to-night. [Applause.]

The CHAIRMAN. Is there objection to the request of the gentleman from Georgia?

There was no objection.

Mr. HOCH. Mr. Chairman, I am not authorized in any sense to speak for the oil industry, but I think I know the men engaged in this industry well enough to know that if it is essential to the balancing of the Budget they are willing to pay a reasonable tax upon the sale of oil; but the trouble about this amendment, which is sprung upon us here without any advance notice, is that the committee itself can not tell us anything at all about how much of a tax this is.

I submit we should not be asked, without notice, to vote on such an amendment when the committee itself can not tell us whether it is 1 cent a barrel or 5 cents a barrel or 10 cents a barrel. If the committee will submit an amendment that is definite and provides a temporary rate of, say, 2 cents a barrel, which would raise a considerable amount of revenue, I do not believe the oil people would seriously object, because they appreciate the revenue emergency which confronts the Government. But until we can have some definite information as to what this amendment means we ought not to be asked to vote upon it.

Since my colloquy with the gentleman from Georgia a moment ago one of the experts attending the committee informed me that, in his opinion, the average transportation cost is about 25 cents or 30 cents a barrel; but this is

just a guess. If it is an average of 25 cents a barrel, that would be 2 cents a barrel, and under all the circumstances that would be a tax to which I think they would make no strong objection if the import duty of 42 cents a barrel is retained. But if he is wrong and the average is 50 cents a barrel, that is an entirely different matter.

I hope the committee will withdraw this amendment until it can at least get some definite information to present to us so that we may know what we are voting upon.

There is involved also in the proposal the very serious constitutional question of whether you can levy a tax upon one kind of interstate transportation and not levy it upon a competing kind of transportation. Certainly, this question is open to very serious doubt, and I do not have any doubt but what the pipe-line companies—and the members of the committee know the remarks I have made with reference to pipe-line companies and their unconscionable profits—but I would guess that an amendment in this form will be resisted by the pipe-line companies on the ground that you can not tax them without also taxing their competitors in interstate transportation.

Mr. PARSONS. Will the gentleman yield?

Mr. HOCH. Yes.

Mr. PARSONS. What is the average price per barrel for the transportation of oil through a pipe line?

Mr. HOCH. That is the information I have been trying to get from the committee.

Mr. HASTINGS. Of course, that depends on the distance. It might be only a few miles, at a small cost, and it might be half way across the continent. For that reason no definite information can be given.

Mr. HOCH. That is, of course, true; but they might give us an estimate so we would know about what the average tax would be.

Mr. VINSON of Kentucky. I would like to suggest in regard to the constitutionality question, and what has been said about shippers resisting payment, that the proposed legislation is taken from the act of 1918, which was in force for a number of years. Certainly, if it was subject to a constitutional objection, they had an opportunity to voice their sentiments.

Mr. HOCH. Is the gentleman certain that the 1918 act did not apply to all transportation of oil?

Mr. VINSON of Kentucky. My understanding is that this legislation is from the act of 1918.

Mr. HOCH. The gentleman says his understanding is that it is the 1918 act.

Mr. VINSON of Kentucky. I did not sit down and take a pencil and compare the two.

Mr. HOCH. It is important to be certain about it.

Mr. JOHNSON of South Dakota. Mr. Chairman, I rise in support of the amendment. As little as I like to support this amendment, I am forced to do so. I know that the amendment ought not to be adopted, because no amendment indorsed by a disorganized mob can be for the good of the country.

On December 7 the House of Representatives was organized by the alleged Democrats. On December 8 they revised the rules. On December 9 the demagoguery started.

Up to that date the people of the country had some hope that Representatives fresh from the people would have some constructive policy.

After one look at the new organization I doubted it, and on December 9, I said:

Frankly, I feel sorry for anybody who tries to lead the Democratic side during the next year, because it is the most disorganized group, politically, that has ever yet been disorganized. I have grave doubts about your Democratic leadership, because the Democrats will be like an army; and you can not make an army out of a disorganized mob going in different directions, thinking different things, and having different equipment.

Mr. CRISP. Mr. Chairman, I make the point of order that the gentleman is not speaking to the amendment.

Mr. JOHNSON of South Dakota. I am discussing the reasons for my position—

Mr. CRISP. If the gentleman from South Dakota loves his country, as I know he does, why try to stir up and try to inject politics into this discussion?

Mr. JOHNSON of South Dakota. I am more in order than the Democratic majority and am not trying to inject politics.

The CHAIRMAN. The gentleman from South Dakota will proceed in order.

Mr. JOHNSON of South Dakota. Replying to the gentleman from Georgia, I was in order in giving the general reasons why I can not support the amendment. As a matter of fact, this matter must be brought before the House; and if I am the only one, I will demand a separate vote on the Doughton amendments, so that some of these iniquitous taxes will not be imposed upon the people. If we can not succeed in that, I will be one, for the good of the country, forced to accept taxes which are unfair and unjust—as unfair and unjust as taxing children half a cent on their 10-cent package of candy.

I could carry that on ad infinitum. At some other time, when I shall be speaking exactly in order, and much more in order than this disorganized majority can ever be, I shall proceed with some further discussion along this line, and that discussion will be exceedingly apropos of the situation that will develop throughout the entire lifetime of this Congress. It was disorganized in the beginning, and it will always be disorganized; and that is something that we can not help, because it is so constituted.

Mr. YON. The gentleman complains about a half-cent tax on a stick of candy, and is criticizing the majority for knocking out the sales tax, when the tax on that stick of candy under that probably would have been a half a cent.

Mr. JOHNSON of South Dakota. The probability is that it would come in under foodstuffs and would not pay anything. I am serving notice that I shall ask for a vote on the Doughton amendment, so that there can be a record vote, and so that we can decide definitely whether the burden of taxation is to be spread equitably throughout the entire citizenship of the United States or whether this disorganized group is going to pick out a few individuals and impose on them the unfair taxes.

Mr. McGUGIN. Mr. Chairman, I am sorry to intrude on the time of the House as often as twice in the same day; however I do want to discuss this proposed tax on oil through pipe lines. In the first place, let us have no misunderstanding about the pipe-line end of the oil industry. That is the iniquitous end of the industry. That is the part of the industry that is in a position to rob the man who produces and to rob the man who buys the gasoline. There is no argument about that. Do not think that because you levy a tax on a pipe line you are going to get one penny of it out of the pipe-line companies. They have a corner on the transportation of oil. They are powerful enough to-day to bear down the price of oil and run up the price of gasoline. When oil goes down, do transportation charges go down? No. Does gasoline necessarily go down when the price of oil goes down? No. That is the set-up in the oil business, the pipe-line end of it. The Tariff Commission has just found that it costs 91 cents per barrel to deliver a barrel of Midcontinent oil to the Atlantic seaboard. I know that is an unreasonable charge, and everybody knows it is, but what are you going to do about it? The Standard of New Jersey and the Standard of Indiana were cruel enough and avaricious enough in the conduct of their pipe-line business to destroy two of their sister companies, the Prairie Pipe Line and the Prairie Oil & Gas Cos. This is going to cost 6.4 cents a barrel to deliver the oil from the Midcontinent to the Atlantic seaboard. The pipe-line companies are not going to pay it. They may write the check that goes to the Federal Treasury, but do not be so foolish as to think that that monopoly will pay that tax. They are strong enough to run up the price to the consumer or run it down on the producer.

Mr. PARSONS. Is it not a fact that the pipe-line companies usually buy the oil and transport it themselves and pay the pipe-line company, not the subsidiary oil company,

the rates for transportation, and it does not come out of the local producer?

Mr. McGUGIN. I think so. They are powerful enough to control this transportation. Do not think for a moment that they are going to pay this tax.

Mr. THATCHER. What are the respective percentages of oil transported from the field to the market or refinery by rail and pipe line?

Mr. McGUGIN. Much the larger part of it is by pipe line.

Mr. THATCHER. It is the cheaper form of transportation?

Mr. McGUGIN. Yes. In this instance I can not go along with my friend from Texas [Mr. BLANTON] who wants to tax the transportation of oil by the railroads. The railroads are broke and on their knees at this time, while the pipe-line companies are among the highbinders of the country. The mistake we are making is that we think we can reach monopoly by taxation. You can not do it. If you want to get at the pipe-line companies, get at them through the enforcement of the monopoly laws and not through the process of taxation, because the endeavor to tax them here simply means that either the producer or the consumer is going to be robbed, and I think this tax rate is out of line. If it could be collected from the pipe-line companies, I would not care if it were 16 cents.

The CHAIRMAN. The time of the gentleman from Kansas has expired.

Mr. VINSON of Kentucky. Mr. Chairman, in answer to the gentleman from Kansas that the transportation lines will pay no tax, let me give you a concrete instance. We have heard a lot of talk about the oil owned by some parties, which is transported in pipe lines, and the enormous profits made therefrom.

I made the statement that this proposed amendment is verbatim with the 1918 act. I am informed it is not verbatim, but it is substantially the 1918 act with some teeth in it. If the transportation company is in the oil-producing business, the same charge is made to the oil company that is transporting it through their own line that they charge any independent producer. If they have a pipe line transporting their own oil and their oil alone, then, under a new paragraph, a fair and reasonable charge is fixed, and the 8 per cent is levied upon that. That paragraph is No. 3.

Mr. WOLCOTT. Has any consideration been given by the committee to the exports of crude oil by pipe line?

Mr. VINSON of Kentucky. No.

Mr. WOLCOTT. To offset the constitutional provision that there may be no tax on exports?

Mr. VINSON of Kentucky. That constitutional provision always remains.

Mr. McCORMACK. Mr. Chairman, the Committee on Ways and Means dislikes very much to make any of the recommendations they have made to the House yesterday and to-day, but in view of the action of the House sitting in Committee of the Whole in striking out the manufacturers' excise tax as amended by eliminating the tax on necessities of life, there is nothing else that the committee can do but bring in for your consideration items which will carry out our manifest determination to balance the Budget.

The pending amendment is a fair tax under the conditions which exist and the emergency that confronts us. Everybody concedes that the pipe lines are making profits. In 1930 or 1931, I am not sure which year, they paid anywhere from 40 to 400 per cent dividends. The gentleman from Kansas, who so ably represents his people, and properly so, frankly admits that this is one sphere of activity with reference to oil where they are making tremendous profits. If that is so, in this emergency, they ought to contribute something toward raising the sum necessary to balance the Budget.

There have been items adopted to-day to which I am personally opposed, and if they were original propositions, I would oppose them. But in view of the condition that confronts us I do not feel we should refuse to accept the recom-

mendations made by the committee, simply made for the purpose of balancing the Budget.

I do not want to vote for this amendment, but I am constrained to vote for it because it is aimed in a direction where the industry affected can afford to pay the tax. There have been many amendments adopted which I dislike, but this is one amendment which I believe is fair and proper, and which, under the circumstances, might be adopted by the Committee of the Whole. [Applause.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Texas to the committee amendment, which the Clerk will again report for the information of the committee.

The Clerk again reported the amendment.

The question was taken, and the amendment to the committee amendment was rejected.

The CHAIRMAN. The question now recurs on the committee amendment.

The committee amendment was agreed to.

Mr. CRISP. Mr. Chairman, I offer a committee amendment.

The CHAIRMAN. The gentleman from Georgia offers a committee amendment, which the Clerk will report.

The Clerk read as follows:

Committee amendment offered by Mr. CRISP: Page 229, after line 8, insert a new section, as follows:

"SEC. —. TAX ON FIREARMS, SHELLS, AND CARTRIDGES

"There is hereby imposed upon firearms, shells, and cartridges, sold by the manufacturer, producer, or importer, a tax equivalent to 10 per cent of the price for which so sold. The tax imposed by this section shall not apply (1) to articles sold for the use of the United States, any State, Territory, or possession of the United States, any political subdivision thereof, or the District of Columbia, or (2) to pistols and revolvers."

Mr. CRISP. Mr. Chairman, this amendment proposes to levy a 10 per cent tax on firearms, shells, and cartridges. It does not levy a tax on pistols, because there is already a tax on pistols, and we have no desire to levy double taxes. It is estimated that the amendment will yield \$3,000,000 or \$4,000,000.

Mr. STRONG of Kansas. Is there any tax on gunpowder?

Mr. CRISP. No; unless gunpowder is in a shell.

Mr. STRONG of Kansas. I have been told that a former Member of this House is lobbying here and saying that, as long as we put a tax on face powder for the women, we ought to put one on gunpowder for the men. [Laughter.]

Mr. COOPER of Ohio. Will the gentleman yield?

Mr. CRISP. Yes.

Mr. COOPER of Ohio. Is this a tax on imported shells or shells of domestic manufacture?

Mr. CRISP. It applies to both imported and domestic shells. It is an excise tax of 10 per cent in an effort to get money for the Government. All taxes collected under it, whether from imported shells or from shells of domestic manufacture, go into the Treasury of the United States.

Mr. GRANFIELD. Will the gentleman yield?

Mr. CRISP. Yes.

Mr. GRANFIELD. I understand pistols and revolvers are excepted from this amendment.

Mr. CRISP. The amendment specifically exempts pistols and revolvers from paying the tax provided in this amendment. The reason for that is that they are already taxed under existing law, and we did not think it equitable to impose a double tax.

Mr. THATCHER. Will the gentleman yield?

Mr. CRISP. Yes.

Mr. THATCHER. Is the tax on pistols and revolvers the same as the tax carried in this amendment?

Mr. CRISP. It is.

Mr. GOSS. Will the gentleman yield?

Mr. CRISP. Yes.

Mr. GOSS. Revolvers are not included in this amendment?

Mr. CRISP. They are not, because, under existing law, they pay a 10 per cent tax. That is what I tried to say as

plainly as I could two or three times, that this amendment does not tax pistols and revolvers.

Mr. HARLAN. Mr. Chairman, I offer an amendment to the committee amendment.

The CHAIRMAN. The gentleman from Ohio offers an amendment to the committee amendment, which the Clerk will report.

The Clerk read as follows:

Amendment offered by Mr. HARLAN to the committee amendment: Strike out the word "shells."

Mr. HARLAN. Mr. Chairman and gentlemen, the amendment which I have offered strikes out from the provisions of this tax the word "shells." The reason for that is this: There is now pending before the Ways and Means Committee a bill (H. R. 10604) placing a tax of 1 cent on each shell that is manufactured and sold in the United States. This bill has the backing of all the sportsmen in the United States, and the purpose of it is to raise funds with which to protect our wild life and migratory birds. If this tax goes on—which, by the way, you will notice to be 10 per cent and a very stiff tax as we are levying them now—it will simply make the adoption of the bill (10604) impossible, and the program of the sportsmen of this country will simply be stopped. These men are willing to pay a tax of 1 cent a shell.

Mr. CRISP. Will the gentleman yield?

Mr. HARLAN. Yes.

Mr. CRISP. I myself could not support any tax of 1 cent a shell. That clearly would enable those who have means to purchase shells and enjoy shooting, while the average citizen would be absolutely debarred.

Mr. HARLAN. In answer to the gentleman I will say this, that the sporting element and the hunting element of this country are perfectly willing, from the information I have at my hand, to pay this tax of 1 cent a shell, provided the money goes to the use designed by the bill to which I have referred.

Mr. RICH. Will the gentleman yield?

Mr. HARLAN. Yes.

Mr. RICH. I might state that a majority of the sportsmen in my district have notified me to oppose this 1-cent tax on shells. They are absolutely opposed to it.

Mr. COOPER of Ohio. Will the gentleman yield?

Mr. HARLAN. Yes.

Mr. COOPER of Ohio. I am receiving protests against the 1-cent tax. They claim the money that is collected through that bill for conservation purposes would only affect the duck hunters, and there are not very many poor people who hunt ducks.

Mr. HARLAN. For the gentleman's information I have just been informed by the man who drew the bill that the tax only applies to those shells that are actually used in hunting. The tax is not to be applied to shells used in shooting clay pigeons and things of that kind.

[Here the gavel fell.]

Mr. RAGON. Mr. Chairman, I understand that the bill to which the gentleman refers is pending before another committee of the House.

Mr. HARLAN. No; it was referred to the Committee on Ways and Means.

Mr. RAGON. If it is pending before the Ways and Means Committee of the House, it would only levy a 1-cent tax, and if we ever want to consider that bill we can take the tax we have proposed to levy here into consideration. My understanding of the other bill is that the money which would come as a result of that tax would go to the Department of Agriculture and would be under the direction of the Secretary of Agriculture for the protection of wild life and the protection of a sportsmen's paradise.

I have always been in favor of aiding and assisting causes such as the gentleman from Ohio [Mr. HARLAN] suggests, but we need this money in the Treasury of the United States more than we need bird reserves all over the country; and we do not need it to-morrow; we need it now. For this reason I hope the committee amendment will be adopted.

Mr. GOSS. Mr. Chairman, I want to call the attention of the committee to this question of shells. I know something about the manufacture of shells for ammunition, both large and small, and I want to inquire of the chairman of the committee if the word "shells" refers to the completed article or a shell partly manufactured. There is commonly quoted in the manufacture of munitions the term "shell" or "cup" in the process of making a cartridge case or making small-arms munitions. If it is in connection with the word "shell" as a partly manufactured article, I might say that the United States Government might well be taxed, not intending to, of course, because one manufacturer might blank out of a sheet of metal a cup which is part of the process of forming the shell, and this is commonly known in the trade as a shell. If he sells this partly manufactured shell to another manufacturer who goes on with it, would the tax apply there or would it not?

Mr. CRISP. Mr. Chairman, may I say to my friend that this is on the manufactured shell just as in the case of the 1918 act; and so far as the gentleman's criticism that the United States might be required to pay it, there is no force in that suggestion, because the amendment expressly excepts shells used by the United States or any State or any Territory.

Mr. GOSS. I read that in the bill, but I want to call the gentleman's attention to this fact: Sometimes these shells are sold by the pound or they may be sold by the piece in a partly manufactured form, and it would be very difficult to separate those shells that might ultimately be sold to the Government from those that are sold to private industry for commercial or other purposes.

Mr. CRISP. May I say to my friend that I know he is a business man, and it would be presumptuous for me to think I know more about these manufactured things than the gentleman does. I do not; but this is like it was in the 1918 act, and the Treasury Department administered that provision satisfactorily, and I am sure they can administer this provision satisfactorily, and will administer it just as they administered the other law.

Mr. GOSS. In 1918 these manufacturers were practically on 100 per cent war work, and commercial business did not apply. Would the gentleman be willing to include the words "completed shell," and then we would not get this matter mixed up with the partly manufactured or processed shell? That is all I am trying to do. I am not complaining about the tax, but I do think we ought to have a complete definition.

Mr. CRISP. The committee is content to stand on the amendment as offered.

The CHAIRMAN. The question is on the amendment of the gentleman from Ohio [Mr. HARLAN] to the committee amendment.

The amendment to the committee amendment was rejected.

The CHAIRMAN. The question now recurs on the committee amendment.

The committee amendment was agreed to.

VISITORS IN THE GALLERY

Mr. KETCHAM. Mr. Chairman, I desire to submit a unanimous-consent request.

Mr. Chairman, I ask unanimous consent to proceed for one minute out of order.

The CHAIRMAN. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. KETCHAM. Mr. Chairman, in Valparaiso, Ind., there lives a splendid old man, Mr. Simon Fogg, now past 80 years of age, who, like many other grandfathers, has two fine grandsons. These grandsons, one a senior and one a sophomore, are students in the Cassopolis (Mich.) high school. The grandfather wanted to recognize these young men and their fine achievement in some fitting and substantial manner, and so he arranged to pay the expenses of the 70 fine young men and young women of the senior and sophomore classes from Cassopolis, Mich., to Washing-

ton, D. C., by way of Niagara Falls, in recognition of the graduation of one of these young men and the subsequent graduation of the other.

I want to take this one minute to pay tribute to this philanthropic old gentleman who loves his grandchildren so well that he will go down into his pocket and provide about \$4,000 to afford an opportunity for these fine young men and women to visit the city of Washington.

I take great pleasure in presenting to the House the senior and sophomore classes of the high school of Cassopolis, Mich., who are here by the courtesy of Mr. Simon Fogg, of Valparaiso, Ind. [Applause.]

THE REVENUE BILL

Mr. NELSON of Wisconsin. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. NELSON of Wisconsin: Page 259, after line 12, insert the following new section:

"SEC. 723. INCREASE IN TOBACCO TAX

"Subsection (a) of section 401 of the revenue act of 1926 is amended to read as follows:

"SEC. 401. (a) Upon all tobacco and snuff manufactured in or imported into the United States, and hereafter sold by the manufacturer or importer, or removed for consumption or sale, there shall be levied, collected, and paid, in lieu of the internal-revenue taxes now imposed thereon by section 401 of the revenue act of 1924, a tax of 21 cents per pound in the case of tobacco, and a tax of 18 cents per pound in the case of snuff, to be paid by the manufacturer or importer thereof: *Provided*, That whenever any manufacturer proves to the satisfaction of the commissioner that manufactured tobacco in respect of which such tax is paid by such manufacturer was manufactured from tobacco purchased from a cooperative association or pool of tobacco growers, such manufacturer shall be entitled to a refund equal to 4 cents for each pound of such manufactured tobacco."

Mr. NELSON of Wisconsin. Mr. Chairman, I offered this amendment as a Member of Congress coming from a tobacco-growing district. I have offered it in behalf of my colleagues coming from tobacco-growing districts.

We did partially protest against the proposed enactment before the Ways and Means Committee. We withdraw that now in the support of the committee trying to balance the Budget in this emergency. We are willing to take on this increased tax.

It was recommended by the Secretary of the Treasury, and we are accepting it as tobacco growers. The committee clerk gave me the estimate that it would produce a revenue of \$58,000,000. I have just got that estimate from the committee clerk.

The committee gave a very careful hearing, a liberal hearing, and the business director and attorney of the North Wisconsin Tobacco Cooperative Association appeared before the committee. But they did not grant the refund.

Now, we are willing to take this tax, if you will give us this relief.

The tax is grossly excessive. First, let me explain that this association consists of 8,000 members out of 9,400 growers of tobacco in Wisconsin. It was organized 10 years ago, and is succeeding after a tremendous uphill fight in making good, and has justified itself.

It has handled and marketed since its organization 200,000,000 pounds of tobacco. Eighty-five per cent of the tobacco grown in Wisconsin is under contract with this tobacco growers' association. It deserves well of all friends of the farmers in this Congress.

Let me tell you why we hesitated about this excessive tax. Do you know that the Government has collected from these tobacco growers in taxes in the past 10 years \$25,000,000? The farmers have received for their crop and labor only \$18,250,000. The tax exacted by the Government exceeds the amount paid the growers for their product by \$6,750,000. The tax is 130 per cent of what the farmers have received.

The average price realized by the members of the Northern Wisconsin Cooperative Tobacco Pool in the past 10 years has been 9 cents per pound. To-day the price is 7 cents or less per pound. The cost of producing this tobacco, if the farmer is to receive a fair wage for his work, has been estimated at from 11 to 12 cents per pound.

However, on the other hand, the tobacco manufacturers have been reaping huge profits when other business has been suffering distress. In 1931 the American Tobacco Co. made a profit of \$48,000,000. The Liggett & Meyer Tobacco Co. had a \$23,000,000 profit on a capital of \$65,000,000; and the Reynolds Tobacco Co. made a profit of \$36,000,000 on a \$100,000,000 capital.

These rich companies come into Wisconsin and, in spite of these colossal profits, take the tobacco away from the independent growers at scandalous prices, and refuse to buy it from the pool at the pool's very reasonable prices.

The relief requested by my constituents is that Congress, in order to balance the Budget, increase the tax on manufactured tobacco by one-sixth of the present tax, as recommended by the Treasury Department before the Ways and Means Committee, and that 4 cents per pound on all unmanufactured tobacco hereafter bought from cooperative associations be refunded to manufacturers out of the tax paid by them on the tobacco products. In brief, a preference in tax rate should be given manufacturers on the tobacco purchased from a cooperative. A reduction of the present tax burden on tobacco by the refund requested would help the organized producer, in that the refund would eventually revert to him. Now, this is a reasonable and fair request, for it would not take out of the Treasury any moneys paid into it by any other taxpayer other than the pool itself. It asks only that out of the pool's proportion of the tax paid a refund of 4 cents be allowed on its own product by way of equity and justice.

It would be an encouragement to cooperative marketing. Both the Federal and State Governments have adopted the policy of aiding cooperative marketing to enable farmers to secure a better price for their products. Congress has already helped the wheat farmers through their cooperatives. Why not also help the tobacco cooperatives who ask only for this fragmentary relief?

It would be a motive and means to membership. This tax-reduction refund would materially encourage the organization of cooperative associations through strengthening its membership, for it is only through cooperative membership that the farmer would get the refund requested. This inducement alone would be of inestimable benefit to the forward-looking farmers now struggling bravely to maintain their existence in a well-managed tobacco pool.

It would enhance its bargaining power. The organized producer has by virtue of his tobacco pool bargaining power. He can get a higher price if the tax is lower due to the refund. And the higher the price obtained for his tobacco by reason of the lower tax, the greater the benefit to the producer member. In other words, if a refund is granted to the manufacturer, the producer can demand of the buyer a corresponding higher price for his product.

The independent grower is helpless to market his tobacco to good advantage. He has no bargaining power, he has only one crop, he has little capital and is practically at the mercy of the large buyers. In Wisconsin our tobacco is bought by five large noncompetitive concerns whose combined capital is over \$200,000,000.

If Congress would grant the reduction asked for, it would be a practical measure of farm relief for a large group of farmers in this country who at present are in a most serious condition. A refund at the present time would substantially aid the tobacco farmers, for they, like other farmers, have excessive real-estate taxes and payments of interest and principal to make on loans and mortgages, and in addition they have the no less real, if indirect, excise-tax burden. If this excise-tax refund were made effective, it is estimated that from one-half to three-fourths of a million dollars a year would revert to the tobacco growers of my State.

Mr. Chairman, the cooperative growers are willing that the 3-cent tax increase on tobacco be incorporated in the bill. However, justice and equity demand alike that relief in the way of the 4-cent tax reduction prayed for be granted. Personally, I earnestly hope that this provision will be incorporated before the final enactment of this tax bill. The relief would not only be an inestimable benefit as an indirect aid

but would be a means and motive for membership, and a most encouraging incentive to the idea of a successful cooperative marketing by the farmers of our country.

[Here the gavel fell.]

Mr. NELSON of Wisconsin. Mr. Chairman, I ask to proceed for five minutes more.

Mr. DYER. I hope the gentleman will not ask that. We must proceed with this bill. I object.

Mr. CRISP. Mr. Chairman, I hope this amendment will not be agreed to. This amendment is not for the purpose especially of raising revenue, but it is to force the tobacco growers to go into the cooperative associations.

You will note that the amendment provides an increased tax—but if it is purchased from a cooperative association, then you do not get that increase. That is the whole story. The Tobacco Cooperative Association appeared before the Ways and Means Committee and urged this proposition, but the committee turned it down.

I hold no brief for tobacco, but when my good friend—and he is my good friend—there is not a man in the House that I feel more kindly to than I do to him—when my good friend said the amendment would bring in \$57,000,000, he was honestly in error.

Mr. NELSON of Wisconsin. I got the figures from the clerk of the committee.

Mr. CRISP. The Treasury Department recommended one-sixth of 1 per cent on tobacco, cigarettes, and manufactured tobacco, and they said that that would yield \$57,000,000. This does not apply to that tax on manufactured cigarettes, and there is where your great body of the fifty-seven million comes in. As I started to say, I hold no brief for tobacco, but if there is one commodity in the United States more highly taxed than any other, it is tobacco. Do you realize, and does the public realize that on each packet of cigarettes there is a sales tax of 6 cents, and that the Government taxes tobacco that goes into the manufacture of cigarettes about \$3 a pound? I hope the amendment will be rejected.

The CHAIRMAN. All debate upon this amendment, under the rules of the House, has been exhausted.

Mr. AMLIE. Mr. Chairman—

The CHAIRMAN. For what purpose does the gentleman rise?

Mr. AMLIE. In support of the amendment.

Mr. WITHROW. Mr. Chairman, I move to strike out the last word.

The CHAIRMAN. If the Chair can secure the ear of the acting chairman of the Committee on Ways and Means, he will try to enforce the rules of the House.

Mr. CRISP. Under the rules there are five minutes of debate for and five minutes against.

The CHAIRMAN. The gentleman from Wisconsin is recognized to strike out the last word.

Mr. CRISP. Mr. Chairman, I am not going to make the point of order that the gentleman must confine himself to the last word, but I shall have to do so in the future.

Mr. WITHROW. Mr. Chairman and members of the committee, I realize that the machines on both sides of the aisle are well oiled and that the skids are greased, and that you gentlemen are determined to balance the Budget no matter what the result may be or how much it will cost the American farmer. I sincerely hope that the amendment of my colleague from Wisconsin [Mr. NELSON] will be adopted. This amendment provides for a 3 cents per pound tax on tobacco, but it further provides that on all tobacco purchased from cooperative tobacco organizations there will be a refund of 4 cents per pound which will be paid directly to the tobacco grower in the form of a higher price for his tobacco. This measure will be a great aid to the cooperative tobacco producer and still will raise considerable revenue for the Government. In Wisconsin we have 9,400 farmers who are growing tobacco. Over 8,000 of them belong to what is known as the Wisconsin Cooperative Tobacco Pool, and this is the situation in regard to these growers: The manufacturers buy tobacco from the independents, and they do not buy tobacco from the cooperative unless it is abso-

lutely necessary, regardless of the fine quality of tobacco grown by the cooperative members. It is a discrimination, and leaves these 8,000 farmers, or eight-ninths of all the people who grow tobacco in our State, holding the bag.

Mr. NELSON of Wisconsin. Mr. Chairman, will the gentleman yield?

Mr. WITHROW. I yield.

Mr. NELSON of Wisconsin. May I ask the gentleman if this is not the situation that we are confronted with, that we have to sell to about five great corporations whose capital is about \$200,000,000?

Mr. WITHROW. Yes.

Mr. NELSON of Wisconsin. And the American Tobacco Co. had profits in 1931 of \$48,000,000; that Liggett & Meyers had a profit of \$23,000,000 with a capital of \$65,000,000; that the Reynolds Tobacco Co. had a profit of \$36,000,000 on a hundred thousand dollar capital; so that between taxes on these corporations we are ground between the upper and the nether millstones.

Mr. WITHROW. That is true. Since 1922 the Wisconsin cooperative has paid to the Federal Government in taxes over \$25,000,000, and the growers of that tobacco received only a little over \$18,000,000 for their product. It is supposed to be the policy of the instrumentalities of government to encourage cooperatives. We are asking you to adopt this amendment in order that this might really be done.

Mr. LONERGAN. Is it not true that tobacco pays in taxes one-eighth of the cost of the United States Government?

Mr. WITHROW. I do not know; but I do know that the manufacturers are rankly discriminating against the cooperative growers of Wisconsin.

Mr. VINSON of Kentucky. The gentleman speaks of his 9,400 farmers. Does he know that there are 415,000 tobacco farmers in the United States, and does he want to discriminate against them in favor of these 9,000?

Mr. WITHROW. Those growers should and are entitled to join cooperatives just as the Wisconsin tobacco growers have. I wish that all of you gentlemen would read the testimony given before the Ways and Means Committee by Mr. Emerson Ela, president of the Wisconsin Cooperative Tobacco Pool, and the brief he filed with the committee. His testimony shows clearly the predicament of the cooperative tobacco growers.

Gentlemen, the tobacco growers, together with all other farmers, have been ruined in the past 10 years by the greedy policies and practices of the big moneyed interests. For years this body has given aid to the farmers only in the titles of the bills. If you gentlemen are honestly attempting to help agriculture, then vote for this measure, because it is an honest and direct aid to agriculture, which is our basic industry.

[Here the gavel fell.]

Mr. CRISP. Mr. Chairman, I move to close debate upon this amendment and all amendments thereto.

The motion was agreed to.

Mr. JOHNSON of South Dakota. Mr. Chairman, I offer the following amendment, which I have sent to the desk.

The Clerk read as follows:

Amendment offered by Mr. JOHNSON of South Dakota to the amendment offered by Mr. NELSON of Wisconsin: Amend the amendment by striking out on line 11 the proviso.

Mr. JOHNSON of South Dakota. I ask unanimous consent to proceed for one-half minute.

The CHAIRMAN. Is there objection?

Mr. VINSON of Kentucky. I object.

The CHAIRMAN. The question is on the Johnson amendment.

The amendment was rejected.

The CHAIRMAN. The question now recurs upon the amendment offered by the gentleman from Wisconsin.

The amendment was rejected.

Mr. VINSON of Kentucky. Mr. Chairman, I offer a committee amendment.

The CHAIRMAN. The gentleman from Kentucky offers a committee amendment, which the Clerk will report.

The Clerk read as follows:

Committee amendment offered by Mr. VINSON of Kentucky: Page 24, line 7, after the period insert a new sentence as follows: "In any case in which it is ascertained as a result of development work that the recoverable units are greater or less than the prior estimate thereof, then such prior estimate (but not the basis for depletion) shall be revised and the allowance under this subsection for subsequent taxable years shall be based upon such revised estimate."

The CHAIRMAN. The question is on the committee amendment.

The committee amendment was agreed to.

Mr. CRISP. Mr. Chairman, on page 45, at my request lines 19, 20, and 21, covering consolidated returns, were passed over. Now that we have disposed of that, I ask unanimous consent that those three lines be read by the Clerk.

The CHAIRMAN. Is there objection to the request of the gentleman from Georgia?

There was no objection.

The Clerk read as follows:

(b) Consolidated returns: For provision as to consolidated returns of affiliated corporations, see section 141.

Mr. STAFFORD. Mr. Chairman, I move to strike out the last word. Will the gentleman from Kentucky briefly explain the purpose of the amendment as to depletion, which was adopted without explanation?

Mr. VINSON of Kentucky. I can explain it by giving an illustration. Assume you have a mining corporation that has 1,000 units that cost \$1,000. They have mined out 500 of those units, and, of course, there is a depletion allowance to them in the extent of \$500. You have one-half of your units yet unmined. The owner comes in and says, "I should be allowed 500 additional units; I had these units at the time of valuation." It does not come technically within discovery value, but the real merits show that those 500 units should be added. This amendment takes the new units, the unmined units, adds them, and then depletion is figured on the 1,000 unmined units. Then, instead of allowing \$1 a unit on depletion, as the operator secured for the first 500 units, you spread the depletion over the 1,000 units, and depletion is allowed at the rate of 50 cents a unit, instead of \$1, until the 1,000 units are mined.

Mr. STAFFORD. Is this more liberal to the Government or to the owner?

Mr. VINSON of Kentucky. It does not take one dollar off the operator. It gives to the Treasury more money now. In place of the \$1 a unit depletion allowance he would have received on the original unmined units, you would get in depletion 50 cents a unit for the 1,000 units. In other words, the operator secures his proper \$500 depletion allowance, but it is allowed at 50 cents per unit.

The pro forma amendment was withdrawn.

Mr. STAFFORD. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. STAFFORD. May I inquire whether we have read every paragraph preceding the paragraph at which the Clerk will begin to read at the present time?

The CHAIRMAN. The Chair is informed by the Clerk that section 104 on page 62 was temporarily passed over. The Clerk will read, beginning on page 110.

The Clerk read as follows:

(j) Allocation of income and deductions: For allocation of income and deductions of related trades or businesses, see section 45.

Mr. DYER. Mr. Chairman, I move to strike out the last word. I want to ask the gentleman from Georgia about subsection (f), China Trade Act Corporations. The provision is that these corporations shall not be deemed to be affiliated with any other corporation within the meaning of this section. Will the gentleman state his interpretation of that?

Mr. CRISP. I will say to my friend that the expert says there is no change in existing law. I myself do not know but, of course, I know his information is accurate.

Mr. DYER. May I ask the gentleman, while I have the floor, for the benefit of the committee, when he expects the committee to rise and report this bill to the House?

Mr. CRISP. I will say to my friend that it is my desire, if the membership of the committee will cooperate with me and back me, to keep the committee in continuous session until we practically read through this bill. [Applause.] I am not going to have the last section read because to-morrow it may be necessary to go back into the Committee of the Whole House on the state of the Union for the purpose of considering a few committee amendments, provided the committee desires to recommend any. There will not be any attempt to have record votes to-day in the House, but if you gentlemen will stay with me, we will be in a position to-morrow where we will have record votes and finally dispose of this bill. I believe my colleagues will agree that I ought to be more tired than any man in the committee, but I am willing to stay. [Applause.]

Mr. DYER. Mr. Chairman, I want to say to the gentleman from Georgia [Mr. CRISP] I believe every Member will cooperate with him in his endeavor to proceed expeditiously and get through with this legislation, so far as the Committee of the Whole is concerned, and will also take into consideration the fact that the gentleman from Georgia has had a most difficult position and that we should cooperate with him and assist him in every way. [Applause.]

The Clerk read as follows:

(c) Law applicable to fiduciaries: Any fiduciary required to make a return under this title shall be subject to all the provisions of law which apply to individuals.

Mr. MARTIN of Massachusetts. Mr. Chairman, balance the Budget and protect the American dollar is a sentiment which has echoed and reached throughout the country in the last few days. I am heartily in favor of that purpose. The address of our esteemed Speaker the other day was not necessary to impress upon me that a nation, like an individual, must live within its income or eventually face a judgment day.

Balance the Budget by all means, but let us not do it in a hysterical way. Going along with the need of balancing the Budget is the necessity of relieving unemployment. If you balance the Budget at the expense of adding to the ranks of the unemployed, you have not made much progress in the stabilizing of the country.

The other day a sales tax for many industries was rejected, and yet in the last two days the same House has favored sales taxes, not on the many industries, but on a few selected industries. No consideration was given as to whether these industries could bear the burden. No opportunity was given to these industries to explain their position. Yet everybody knows the unbalanced Budget is in a measure due to the fact many manufacturing industries have been unable to give employment. Anyone who has read the reports of industrial enterprises or who has watched the diminishing returns from income and corporation taxes realizes the serious financial plight of many of these concerns.

They can not, like agriculture, the railroads, or the bankers, go to the Federal Treasury for assistance. They are obliged to stand or fall on their own individual efforts. This being the case, huge taxes should not be imposed without some serious consideration of what is to be the result. Destroy an industrial establishment and you stagnate community life, add to the ranks of the unemployed, and increase the tremendous relief burdens the communities are carrying.

Let me illustrate the effect of these taxes on the jewelry industry in my district, and several other industries stand in a similar light. You place a 10 per cent sales tax on the manufacturing jeweler in the belief it will raise \$15,000,000 in revenue, which it will not do. The difficulty in collecting much of the tax will hardly compensate for the yield. The Treasury Department knew this, and for that reason did

not recommend the tax. The very people whom I presume the committee would like to tax will avoid the same. The purchaser of diamonds and the expensive jewelry of gold and platinum is not going to pay this tax. These very expensive pieces of jewelry come from abroad. Those who import them for sale here, generally speaking, are retailers, and as the tax is not due until the sale is consummated, you can understand the difficulty the agent is going to have to get that tax.

No; the burden will not fall upon the wealthy, but upon the stenographer, the poor working girl, or the prudent housewife of moderate means who wishes to buy some jewelry for personal adornment. It will hit the college girl and the college boy. It will be borne by the great army of average men and women. This is the class who will pay this tax.

Now, what is the situation of the industry? Search as far as you may and I hardly believe you can find an industry less able to bear increased burdens. The business situation itself has almost delivered the industry a knockout blow. Short working schedules and drastic reduction in working forces have been the rule for two years. Many concerns have passed out of existence, and others have closed until the future gets a bit brighter.

Let me tell you an example of the seriousness of the depression in one instance. Several months ago one of the oldest and best-known gold houses in this country closed. It had been in operation for 60 years, and its name was an honored one in every retail jewelry store in the country. Its inventory of machinery and dies was valued at \$60,000. The concern did not owe a dollar; its members were not obliged to sacrifice their property; and yet they sold the good name, the dies, and the machinery of that concern for \$2,500. This reflects the situation in the jewelry industry.

And yet you come here with this tax bill, and this struggling industry must pay a 10 per cent sales tax. The manufacturer will have the cost of his fuel oil or coal bill increased; he must contribute heavily to the increased postage bill, because few industries use direct advertising more than the jeweler. Incidentally, I might add he has had his parcel post bill substantially increased by another branch of the Government.

I repeat, you will not get much of a contribution toward balancing the Budget from this particular item, but you will do what no sound-thinking American wishes to do, and that is to add to the instability and threat which comes from increased unemployment.

I hope when the bill is reported to the House this amendment will be rejected. [Applause.]

The Clerk read as follows:

(1) Requirement of withholding: In any case where bonds, mortgages, or deeds of trust, or other similar obligations of a corporation contain a contract or provision by which the obligor agrees to pay any portion of the tax imposed by this title upon the obligee, or to reimburse the obligee for any portion of the tax, or to pay the interest without deduction for any tax which the obligor may be required or permitted to pay thereon, or to retain therefrom under any law of the United States, the obligor shall deduct and withhold a tax equal to 2 per cent of the interest upon such bonds, mortgages, deeds of trust, or other obligations, whether such interest is payable annually or at shorter or longer periods, if payable to an individual, a partnership, or a foreign corporation not engaged in trade or business within the United States and not having any office or place of business therein: *Provided*, That if the liability assumed by the obligor does not exceed 2 per cent of the interest, then the deduction and withholding shall be at the following rates: (A) 6 per cent in the case of a nonresident alien individual, or of any partnership not engaged in trade or business within the United States and not having any office or place of business therein and composed in whole or in part of nonresident aliens, (B) 13 per cent in the case of such a foreign corporation, and (C) 2 per cent in the case of other individuals and partnerships: *Provided further*, That if the owners of such obligations are not known to the withholding agent the Commissioner may authorize such deduction and withholding to be at the rate of 2 per cent, or if the liability assumed by the obligor does not exceed 2 per cent of the interest, then at the rate of 6 per cent.

Mr. HAWLEY. Mr. Chairman, I move to strike out the last word for the purpose of asking the chairman of the committee a question.

On page 114 of the bill there is an error in line 14. I think that figure should be "7," and in line 18 of page 114 the figures should be "13½," and in line 1 on page 115, the figure should be "7," in order to conform with the amendments already adopted.

Mr. CRISP. Seven is the correct figure, and the figures "13" should be "13½," and I shall ask unanimous consent that the corrections may be made.

Mr. HAWLEY. The figure "7" occurs also in page 115 at the end of line 1.

Mr. CRISP. On page 114, in line 14, "6 per cent" should be "7 per cent." We have raised the normal income-tax rate from 6 to 7 per cent. Then, in line 18, page 114, the rate should be 13½ per cent, which is the corporation rate. We have raised that one-half of 1 per cent since the bill was reported. On page 115, line 1, where 6 per cent occurs, that should be 7 per cent; and I ask that wherever these changes should occur in the bill, the clerk be authorized to make them in order to conform with the action of the committee, to wit, raising the normal income-tax bracket up to 7 per cent and raising the corporation tax from 13 per cent to 13½ per cent.

The CHAIRMAN (Mr. BROWNING). Is there objection to the request of the gentleman from Georgia?

There was no objection.

Mr. PATTERSON. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, we are coming close to the time when this bill will be reported back to the House; and I feel that we will have but small opportunity left to say anything upon the bill, and, probably, there has already been said more than should have been said and a great deal of what has been said could well have been left unsaid.

However, there is one thing I want to call attention to. I sincerely hope when we get back into the House we may have a record vote on some amendments that have been agreed to in committee, and I hope they will be voted out of the bill.

I also want to call the attention of the committee to the fact that the way we have proceeded on a number of these important amendments there has been little time given to consider them before voting upon amendments that will raise millions and hundreds of millions of dollars, like the 3-cent postage provision, and no Member of the House, except the members of the Ways and Means Committee, so far as I know, have been able to get definite information about the amendments which are to come up or know beforehand when they were coming up. I have tried again and again to find out what was going to come up in the future and have been unsuccessful, and we do not even know now, so far as I am advised, whether or not we will have the iniquitous amendment proposing a levy of 2 cents on checks brought before the committee. But, of course, I understand this will not come up. There are other things in a similar situation.

This is the condition under which we are laboring, and I do not believe in legislating in this way, and I sincerely hope that the 3-cent postage rate and other similar amendments which I have opposed, when we are able to get a record vote on them, will be voted out of the bill.

I regret that the situation has been brought about as has in this bill. These amendments affecting automobiles, candy, chewing gum, radios, frigidaires, and such like, are in my judgment bad taxes, and I have opposed them and shall continue to do so.

We are told now that they are going to try to vote out the Swing amendment, raising the surtaxes on higher brackets. Well, my reply is we are ready for that vote and any other one which may be demanded. And I will say

further that I believe the country would have been better off if we had had a reasonable tax measure and not tried to drive through all those taxes which, in my judgment, are liable to retard business and will certainly work a hardship on a large number of our citizens and industries. The great masses of our people are overtaxed now, and this bill will further add to this burden. And I repeat what I have said before, that the Budget is not the cause of our trouble, but the shape of the Budget is the result of evils from which we are suffering. My idea is to remedy the evils.

Now I will only say further that all the maligning that I, with other Members, have been subjected to, has had no effect upon my actions, and I hold no resentment against those newspapers and others who have done this, but I have acted conscientiously, and if I had the same to go through with again I would act similarly.

I can say that the members of the Committee on Ways and Means have not done this, and I can say for the gentleman from Georgia [Mr. CRISP] that no one could have been more courteous, patient, and fairer than he, and I respect and love him as I do all other Members. I have only acted—as I feel they have—conscientiously, and find no fault personally, but I differ, and differ with all my might.

One other thing, a crowd of people can not scare me into anything I do not believe in and I feel is not good for my country by manipulating a stock ticker up or down. No; I shall stand by ideals and convictions, and represent our people as I feel will be best for them. I hope that we can yet get many of these amendments out of this bill.

The Clerk read as follows:

(d) Income of recipient: Income upon which any tax is required to be withheld at the source under this section shall be included in the return of the recipient of such income, but any amount of tax so withheld shall be credited against the amount of income tax as computed in such return.

Mr. SWING. Mr. Chairman, I move to strike out the last seven words. I am told that to-morrow, when the bill is reported back to the House, it is the intention of the acting chairman of the Ways and Means Committee to ask a separate vote on my amendment increasing the income tax.

I want to call the attention of the committee to the fact that yesterday I put in the RECORD, at page 7135, a comparison between the tax required to be paid under the 1918 revenue bill—war rates—and the amounts that will have to be paid under the rates in my amendment. This table shows that the surtaxes now in the bill and accepted by the committee are fully 10 per cent below the surtaxes in the 1918 revenue act. Or, if you combine the normal rate with the surtax rates in the bill as it stands to-day, it will be 15 per cent under the combined normal and surtax rates in the 1918 revenue act.

So there is no basis whatever for the charge that has gone out over the country that Congress has enacted confiscatory rates.

I want to embody in my remarks a comparison of the rates of taxation that are actually being paid in England to-day with the surtax rates that are proposed in my amendment, combined with the normal rates in the LaGuardia amendment.

I ask unanimous consent that the comparison of the British tax with the tax in this bill be embodied as a part of my remarks.

Mr. STAFFORD. Reserving the right to object, will the gentleman yield for a question?

Mr. SWING. I yield.

Mr. STAFFORD. I do not object to the gentleman's request, but does the gentleman believe that we should establish in peace time the war-time rate of 80 per cent excess-profit tax and high income surtaxes?

Mr. SWING. If the gentleman had heard what I was saying, he would know that the rates now in this bill are 15 per cent below the war-time rates.

Comparing our proposed rates with those of Great Britain on net incomes between \$100,000 and \$5,000,000, the

taxes that will be paid under this bill are far below those paid in England.

Income tax, individual—Comparison of tax payable in Great Britain and in the United States under the amendment offered by Mr. Swing (combined with the normal tax) by a single person without dependents with maximum earned income on net income of \$100,000 (£20,000) and over

Net Income	Tax on single person		Amount proposed taxes are below Great Britain
	United States	Great Britain	
\$100,000.....	\$26,665	\$47,800	\$21,135
\$150,000.....	50,165	78,175	28,010
\$200,000.....	74,665	109,925	35,260
\$250,000.....	100,165	141,675	41,510
\$300,000.....	126,665	174,800	48,135
\$400,000.....	181,665	241,175	59,510
\$500,000.....	238,665	307,300	68,635
\$750,000.....	386,165	472,925	86,760
\$1,000,000.....	538,665	638,550	99,885
\$1,500,000.....	853,665	969,800	116,135
\$2,000,000.....	1,178,665	1,201,050	122,385
\$3,000,000.....	1,847,665	1,963,550	115,885
\$4,000,000.....	2,538,665	2,626,050	87,385
\$5,000,000.....	3,248,665	3,288,550	59,885

Now, Mr. Chairman, when the amendment was prepared, I did not have the assistance of the technical force of the Ways and Means Committee, but they have since redrafted my amendment to put it in accord with the form of the committee amendment already in the bill. I ask unanimous consent that this amendment be substituted in place of the amendment offered by me and adopted by the committee.

Mr. CRISP. Mr. Chairman, I join in that request. In other words, the whole scheme of the bill brings forward the amount in cash that you shall pay on that income, and then levies a percentage on that income. When the gentleman from California prepared the amendment he did not have that in mind, but the gentleman has now drawn the amendment to conform with the scheme of the bill.

Mr. STAFFORD. Mr. Chairman, I reserve the right to object. I understand the purported change does not change the rates at all.

Mr. SWING. Not at all.

Mr. STAFFORD. Just the amounts. The gentleman is still adhering firmly to these high rates.

Mr. SWING. Absolutely, because yesterday we moved the surtax from \$10,000 down to \$6,000 to take in some more of the little fellows. Just as we did on the same day that my amendment was adopted, when 1,700,000 little fellows, making a bare living, were included. Why should not we apply the graduated income-tax rates to those with incomes in excess of \$100,000 just like we do to those with incomes below \$100,000 instead of according them a flat rate as was first proposed?

The CHAIRMAN. Without objection, this change will be printed in the RECORD.

There was no objection, and the revised amendment is as follows:

Amendment offered by Mr. SWING: Page 14, strike out lines 17 and 18 and insert in lieu thereof the following:

"Net incomes in excess of \$100,000 and not in excess of \$150,000, 40 per cent in addition of such excess.

"\$40,160 upon net incomes of \$150,000; and upon net incomes in excess of \$150,000 and not in excess of \$200,000, 42 per cent in addition of such excess.

"\$61,160 upon net incomes of \$200,000; and upon net incomes in excess of \$200,000 and not in excess of \$250,000, 44 per cent in addition of such excess.

"\$83,160 upon net incomes of \$250,000; and upon net incomes in excess of \$250,000 and not in excess of \$300,000, 46 per cent in addition of such excess.

"\$106,160 upon net incomes of \$300,000; and upon net incomes in excess of \$300,000 and not in excess of \$400,000, 48 per cent in addition of such excess.

"\$154,160 upon net incomes of \$400,000; and upon net incomes in excess of \$400,000 and not in excess of \$500,000, 50 per cent in addition of such excess.

"\$204,160 upon net incomes of \$500,000; and upon net incomes in excess of \$500,000 and not in excess of \$750,000, 52 per cent in addition of such excess.

"\$334,160 upon net incomes of \$750,000; and upon net incomes in excess of \$750,000 and not in excess of \$1,000,000, 54 per cent in addition of such excess.

"\$469,160 upon net incomes of \$1,000,000; and upon net incomes in excess of \$1,000,000 and not in excess of \$1,500,000, 56 per cent in addition of such excess.

"\$749,160 upon net incomes of \$1,500,000; and upon net incomes in excess of \$1,500,000 and not in excess of \$2,000,000, 58 per cent in addition of such excess.

"\$1,039,160 upon net incomes of \$2,000,000; and upon net incomes in excess of \$2,000,000 and not in excess of \$3,000,000, 60 per cent in addition of such excess.

"\$1,639,160 upon net incomes of \$3,000,000; and upon net incomes in excess of \$3,000,000 and not in excess of \$4,000,000, 62 per cent in addition of such excess.

"\$2,259,160 upon net incomes of \$4,000,000; and upon net incomes in excess of \$4,000,000 and not in excess of \$5,000,000, 64 per cent in addition of such excess.

"\$2,899,160 upon net incomes of \$5,000,000; and upon net incomes in excess of \$5,000,000, 65 per cent in addition of such excess."

Mr. FISH. Mr. Chairman, I move to strike out the last two words. This may be an opportune time to say a few words in opposition to the amendment proposed by the gentleman from California, my good friend [Mr. SWING], for whom I have the highest regard, and in whom I have great confidence. He proposes to raise the income taxes to a degree comparable with the high war taxes, or, to be exact, to 65 per cent in the higher brackets, to which must be added 7 per cent in surtaxes, making a total of 72 per cent. In addition to that the State and local taxes, city and county and school taxes, and so on, will take another 15 per cent or more, which makes a total of 87 per cent. If that is not confiscation of property, then the word "confiscation" does not mean anything. Before you vote on any such excessive program of increasing Federal income taxes to 72 per cent, not in war time, when people with money could make enormous returns on their money, and it is probably proper to take a large share of it away from them by legislation, but in times of peace and in times of depression, I think you should think twice. Even the very rich can not make much from their investments in these times, and to come along and take 85 per cent of their property is wrong. If the socialists had a majority in this House, they would not go that far.

Mr. SWING. If they do not make the money, they will not have to pay it.

Mr. COCHRAN of Missouri. Mr. Chairman, will the gentleman yield?

Mr. FISH. Yes.

Mr. COCHRAN of Missouri. Is it not a fact that the gentleman from New York has more millionaires within the boundary of his district than are in any district in the United States?

Mr. FISH. I hope the statement is true; but I regret to say that I do not think it is, and, moreover, most of my former millionaire constituents are broke.

Mr. COCHRAN of Missouri. He has a great many millionaires in his district.

Mr. FISH. I have some millionaires, and I am not ashamed of them. I only wish that we had a few more. This question is one that should be decided purely upon its merits. If you want to raise the inheritance taxes to 50 per cent or more, that is a different proposition, and I might go along with you, because the rich man, like the poor man, must inevitably die, and he can not take his riches with him. There are many conservative Americans who favor high inheritance taxes as constituting the fairest and soundest kind of a tax, and who also believe in bringing about a more equitable division of wealth instead of permitting it to accumulate in the hands of a few. However, to take 72 per cent in Federal income taxes is an entirely different proposition. Every Member of Congress, if he is honest with himself, knows that the very rich will in that event put their incomes in tax-exempt securities, and you can not blame them for doing so.

You will not get any revenue out of this by soaking the rich man who will take his money out of productive in-

dustry and buy tax-exempt bonds. You will merely hurt business and further delay our economic recovery. You are simply fooling yourselves and trying to fool the people back home by attempting to soak the rich but in fact causing more unemployment. When the bill came in raising the income tax from 20 to 40 per cent, it was a pretty big step-up in these times when very few of the rich men are making any money. I do not hold any brief for the rich, but I think we ought to be reasonable and understand what the actual result will be. When you take 85 per cent of the fortunes of the wealthy men of America, it means that their money will not go into productive enterprise, which will prolong the industrial depression and delay what we are trying to do to get back to normal conditions and provide employment for millions of American wage earners. We are not going to do it by confiscation of the big fortunes. I hope that the representatives in Congress will think a little bit about helping our return to prosperity and productive enterprise before they vote for confiscation in times of peace of the fortunes of the very wealthy in the United States of America. [Applause.]

The Clerk read as follows:

In the case of foreign corporations subject to taxation under this title not engaged in trade or business within the United States and not having any office or place of business therein, there shall be deducted and withheld at the source in the same manner and upon the same items of income as is provided in section 143 a tax equal to 12 per cent thereof in respect of all payments of income made before the enactment of this act, and equal to 13 per cent thereof in respect of all payments of income made after the enactment of this act, and such tax shall be returned and paid in the same manner and subject to the same conditions as provided in that section: *Provided*, That in the case of interest described in subsection (a) of that section (relating to tax-free covenant bonds) the deduction and withholding shall be at the rate specified in such subsection.

Mr. STAFFORD. Mr. Chairman, I move to strike out the last word. I wish to direct the chairman's attention to the paragraph which is under consideration, section 144, payment of corporation income tax at its source. The bill as reported from the committee changed the existing law from 13½ to 12 per cent. Again, in the second line below, it changed the rate from 12 to 13 per cent. Should those rates be changed in view of the change in the corporation tax at which we have arrived?

Mr. CRISP. I will say to my friend that leave was given to make this change wherever it occurs in the bill.

Mr. STAFFORD. But here we have a peculiar condition. In the existing law the rate was 13½ per cent.

Mr. CRISP. No; it is 12 per cent.

Mr. STAFFORD. According to my copy you change 13½ to 12. Then in line 10 you change existing law from 12 to 13. What should those respective rates be? I do not know, myself. Should they both be 13½, should they remain as they are, or should we pass the paragraph temporarily until the experts have an opportunity to examine it?

Mr. CRISP. The experts advise me that as written in the bill it is absolutely right.

Mr. STAFFORD. Then, as I understand, only 13 in line 10 should be changed to 13½?

Mr. CRISP. Yes. And that has been done by the authority given to us a while ago, for the Clerk to make those changes.

The pro forma amendment was withdrawn.

The Clerk read as follows:

SEC. 202. GROSS INCOME OF LIFE-INSURANCE COMPANIES

(a) In the case of a life insurance company the term "gross income" means the gross amount of income received during the taxable year from interest, dividends, and rents.

Mr. CRISP. Mr. Chairman, I move to strike out the last word. I do this simply to give the committee this information: This is the section that places a tax on life-insurance companies. We have had the same rate on them as other corporations, and we have raised the rate to 13½. While the Committee of the Whole gave authority to change the rate to 13 wherever it appeared necessary in the bill, I felt I ought to call this to the attention of the committee.

Mr. Chairman, on page 136, line 10, I move to amend by striking out "13" and inserting "13½," and in line 12 strike out "13" and insert "13½."

The CHAIRMAN. Without objection, the amendment will be agreed to.

There was no objection.

The Clerk read as follows:

(2) Reserve funds: An amount equal to 3½ per cent of the mean of the reserve funds required by law and held at the beginning and end of the taxable year plus (in case of life-insurance companies issuing policies covering life, health, and accident insurance combined in one policy issued on the weekly premium-payment plan, continuing for life and not subject to cancellation) 3½ per cent of the mean of such reserve funds (not required by law) held at the beginning and end of the taxable year, as the commissioner finds to be necessary for the protection of the holders of such policies only.

Mr. STAFFORD. Mr. Chairman, I move to strike out the last word. I wish to invite the attention of the chairman of the committee to the change in the amount of percentage which the committee recommends for reserve funds, as found in paragraph 2, page 137. The committee has changed the rate, as in existing law, from 4 per cent to 3½ per cent. I have received some communications from large insurance companies in my home city protesting against that change. It is a technical subject. I must confess I have not a very clear idea of it. These companies represent that it will militate against their policy of paying dividends to policyholders. If the gentleman can do so, will he explain the reason for cutting the amount from 4 per cent to 3½ per cent?

Mr. CRISP. In the interest of the Government. Heretofore they have been allowed a 4 per cent reduction, and this cuts it to 3½ per cent. It is estimated that this change will cost all of the insurance companies in the United States, collectively, \$6,000,000.

Mr. STAFFORD. Six million dollars annually?

Mr. CRISP. Yes. I am advised that under a court decision the insurance companies were relieved from the payment of \$35,000,000 in the way of refunds to the Government.

This is intended to tighten that up and try to save money to the Government. It does not discriminate against the insurance companies with respect to other corporations. They are simply asked to pay the same corporation income tax rates that other corporations pay.

Mr. VINSON of Kentucky. Will the gentleman yield?

Mr. STAFFORD. I yield to the gentleman from Kentucky.

Mr. VINSON of Kentucky. As I understand it, formerly insurance companies agreed with representatives of the Government upon the 4 per cent reserve, but under the decision of the Supreme Court there was an \$8,000,000 cut of taxes. This case was fought by counsel for the Government, which was provided by the larger insurance companies who wanted to keep their agreement. When we change this from 4 to 3½ we are getting to the point of the agreement heretofore reached, as I understand it.

Mr. STAFFORD. You are not changing the language at all, you are only changing the amount of the reserve?

Mr. VINSON of Kentucky. That is true.

Mr. STAFFORD. If you were changing the language so as to tighten up, I could follow the logic of the gentleman's position. I have heard argued some of these questions of refund in the Supreme Court and I know they are highly technical, but I can not see how you are tightening up for the Government in changing the amount of the reserve.

Mr. VINSON of Kentucky. In changing the provision, you bring into the Treasury the \$6,000,000.

Mr. STAFFORD. Then if you changed it to 2 per cent, you would get even more.

Mr. VINSON of Kentucky. Yes; that is true.

Mr. STAFFORD. Why do you not adhere to 4 per cent? Was not that a reasonable reserve?

Mr. VINSON of Kentucky. Because that does not bring in the money the Government expects from the insurance companies. As a matter of fact, the insurance companies under the present provision are paying very little tax at all.

Mr. STAFFORD. It was represented to me by one of the largest insurance companies in the country, located in my home city, that they would be obliged to pay one-half million dollars taxes under this provision, and this is one of the most conservatively managed companies in the country.

Mr. VINSON of Kentucky. Of course, I do not know to what company the gentleman refers—

Mr. STAFFORD. There is only one of that size and standing there, the Northwestern Mutual Life Insurance Co.

Mr. VINSON of Kentucky. That is a very splendid company, and it may be they should pay that amount.

Mr. STAFFORD. If they should pay it, they claim it will affect the dividend payments to policyholders. I am only seeking information to see whether or not this is meritorious, and I can not see the logic in just cutting down the amount to attain a change of law in the administration of this provision.

The Clerk read as follows:

(9) Specific exemption: In the case of a domestic life-insurance company the net income of which (computed without the benefit of this paragraph) is \$10,000 or less, the sum of \$2,000; but if the net income is more than \$10,000 the tax imposed by section 201 shall not exceed the tax which would be payable if the \$2,000 credit were allowed, plus the amount of the net income in excess of \$10,000.

Mr. STAFFORD. Mr. Chairman, I move to strike out the last figure.

I assume the committee desires to change the amount of exemption here from \$2,000 to \$1,000, so as to conform with the general provision heretofore adopted.

Mr. CRISP. Mr. Chairman, the able and distinguished gentleman is quite correct. I was on my feet to ask unanimous consent that wherever these exemptions appear in the bill with respect to these corporations at \$2,000 the Clerk be authorized to change them to \$1,000, because we have amended the bill, reducing the exemption to \$1,000. In this instance it occurs in lines 7 and 10, on page 140.

Mr. LAGUARDIA. The gentleman, as I understand, asks that these corrections may be made at any place in the bill?

Mr. CRISP. That is my request—wherever they may appear in the bill.

The CHAIRMAN (Mr. BROWNING). Is there objection to the request of the gentleman from Georgia?

There was no objection.

The Clerk read as follows:

(1) In the case of such a domestic insurance company, 13 per cent of its net income;

(2) In the case of such a foreign insurance company, 13 per cent of its net income from sources within the United States.

Mr. CRISP. Mr. Chairman, under the agreement, "13 per cent," appearing in lines 16 and 18, should be changed to "13½ per cent."

The CHAIRMAN. Under the former order, the changes will be made.

The Clerk read as follows:

SEC. 207. COMPUTATION OF GROSS INCOME

The gross income of insurance companies subject to the tax imposed by section 201 or 204 shall not be determined in the manner provided in section 119.

Mr. LONERGAN. Mr. Chairman, the net taxable income of a life-insurance company is determined under present law by a formula, which produces a tax regardless of whether or not the year's operations result in net income. In this respect the treatment of life-insurance companies differs entirely from that of other corporations, the net taxable income of which has a relation to the net income actually earned. Under the present law a life-insurance company may be required to pay a heavy tax in a year, or in a series of years, when the company actually earns no net income. Since the present method of ascertaining net taxable income was enacted in 1921, some companies have paid taxes in years when they earned no net income. This fundamental difference should be borne in mind in any consideration of the taxation of life-insurance companies. Furthermore, while the taxes of other corporations are responsive to the actual net income earned, they are, in addition,

allowed to deduct the net loss of one year from the income earned in a succeeding year. Life-insurance companies, therefore, are not favored by the present method.

Interest, dividends, and rents constitute the gross income of a life-insurance company under the act. Premiums are not included in income on the theory that they are in the nature of capital deposits to be subsequently returned to the policyholders. No deduction is allowed for the ordinary expenses of doing business (other than investment expenses) nor for payments to policyholders. No deduction is allowed for investment losses or bad debts, neither is gain from investments included as a part of gross income. If such items were allowed, the net taxable income would be materially reduced for some years to come. Thus, the Government is highly favored by this exclusion.

The purpose of Congress in adopting this method of establishing the net taxable income of life-insurance companies was to avoid the wide fluctuations in net taxable income experienced in previous years, when the method of determining net taxable income was that applied to other corporations. This result has been achieved.

The original formula enacted in 1921 provided for the deduction of 4 per cent of the mean of the reserve funds required by law (less tax-exempt interest) from gross income. This deduction was arrived at by the Ways and Means Committee after careful consideration of all the factors involved, such as the elimination of capital gains and losses and disregard of whether or not the year's operations actually result in net income. It was the purpose not only to adopt a formula producing a dependable net taxable income, but also one of simple nature, easily checked by the Government, and thus avoiding many of the troublesome questions that resulted in litigation under the former acts. It was necessary to permit the deduction of interest on tax-exempt securities from gross income. To nullify this deduction the act of 1921 provided that 4 per cent of the mean of the reserve funds should be decreased by the amount of such tax-exempt interest before the final deduction from gross income. This nullification of the benefits accruing from the ownership of tax-exempt securities was found unconstitutional by the United States Supreme Court (277 U. S. 508). This decision struck from the act the provision for the deduction of tax-exempt interest from 4 per cent of the mean of the reserves.

When the present method was adopted in 1921 the Ways and Means Committee report contained the following statement of reasons for such action:

The provisions of the present law applicable to life-insurance companies are imperfect and productive of constant litigation. Moreover, the taxes paid by life-insurance companies under the income tax are inadequate. It is accordingly proposed in lieu of all other taxes to tax life-insurance companies on the basis of their investment income from interest, dividends, and rents, with suitable deduction for expenses fairly chargeable against such investment income. The new tax would yield a larger revenue than the taxes which it is proposed to replace.

It should be noted that the 1921 method was designed to produce more revenue from the life-insurance companies, including the revenue previously derived from other taxes, namely, the war excess-profits tax, the capital-stock tax, and the tax on new policies issued. At the same time other corporations were paying war excess-profits taxes and capital-stock taxes. By 1928 these other corporations had been relieved of war excess-profits taxes and capital-stock taxes and were taxed only upon their net income. Life-insurance companies, however, had not been given any comparable reduction in the method of establishing their net taxable income. Life-insurance companies were then, in 1928, and are now, with the exception of the change resulting from the United States Supreme Court decision, paying taxes on a basis of determining net income which included these other and additional taxes above mentioned. The relief granted to life-insurance companies by the Supreme Court decision, it can be shown, does not entirely compensate for the relief granted by Congress to other corporations. For these additional reasons, therefore, we see no reason why it should now be proposed to deprive life-insurance companies of the benefits of the Supreme Court decision.

The present proposal is not only to increase the life-insurance tax rate from 12 to 13 per cent, the rate proposed for other corporations, but also to increase the tax base by reducing the deduction from 4 to 3½ per cent of the mean of the reserve funds. Life-insurance companies are not objecting to the payment of the proposed 13 per cent tax rate applied to other corporations, but they do protest this increase in the base upon which the tax is determined. By this proposed modification of the formula for ascertaining the net taxable income of a life-insurance company the basic net taxable income has been increased in the aggregate by approximately 88 per cent as compared with the present method. The increase in base and increase in rate at the same time would double the aggregate tax of life-insurance companies without there having been any increase in actual net income. We know of no reason why life-insurance companies should be singled out for such an excessive increase in the amount of their taxes.

Life insurance is a means of family protection adopted largely by the wage-earning and small-salaried class and is the only means in the majority of cases of any approach to adequate provision for their families in the event of death. Over 60 per cent of life-insurance policies are carried by persons earning incomes of less than \$5,000, it was demonstrated by an investigation completed several years ago. The income of these people has undoubtedly shrunk since then. Life-insurance policyholders do much to relieve the Government of burdens which it is now facing. Yet, these policyholders are not granted the exemptions as to their life insurance which apply to other forms of savings. There is no reason why they should be discriminated against. Life insurance has been a very helpful factor in maintaining business stability during the recent troublesome times. Congress, therefore, should be loathe to impose any unfair burdens on these life-insurance policyholders, for in the end this increased taxation is levied against a form of savings which the Government should encourage, not penalize. [Applause.]

The Clerk read as follows:

(3) Mutual insurance companies other than life and marine: In the case of mutual insurance companies (including interinsurers and reciprocal underwriters, but not including mutual life or mutual marine insurance companies) requiring their members to make premium deposits to provide for losses and expenses, the amount of premium deposits returned to their policyholders and the amount of premium deposits retained for the payment of losses, expenses, and reinsurance reserves.

Mr. CRISP. Mr. Chairman, yesterday a committee amendment was adopted on page 109, line 22, in which there was a technical error in describing the section. I ask unanimous consent that this amendment be adopted, which simply describes the section properly.

The Clerk read as follows:

Committee amendment: Page 109, line 22, strike out "prescribed by section 13 (a)" and insert "prescribed by section 13 (a), 201 (d), and 204 (a)" and a comma.

The amendment was agreed to.

The Clerk read as follows:

(a) General rule: In the case of a nonresident alien individual who is not a resident of a contiguous country, the normal tax shall be 6 per cent of the amount of the net income in excess of the credits against net income allowed to such individual.

Mr. CRISP. Mr. Chairman, I offer another amendment to correct a clerical error.

The Clerk read as follows:

On page 79, line 15, after "act," insert "or the revenue act of 1928."

And on line 17, after section 141 (b), insert "of this act or the revenue act of 1928."

The amendment was agreed to.

The Clerk read as follows:

(b) Nothing in this section shall be construed to alter or amend the provisions of the act entitled "An act making appropriations for the naval service for the fiscal year ending June 30, 1922, and for other purposes," approved July 12, 1921, relating to the imposition of income taxes in the Virgin Islands of the United States.

Mr. HAWLEY. On page 115, has the \$2,000 been changed to \$1,000?

The CHAIRMAN. Under the previous order of the committee, that change will be made.

The Clerk read as follows:

(k) Address for notice of deficiency: In the absence of notice to the commissioner under section 312 (a) of the existence of a fiduciary relationship, notice of a deficiency in respect of a tax imposed by this title, if mailed to the taxpayer at his last-known address, shall be sufficient for the purposes of this title even if such taxpayer is deceased, or is under a legal disability, or, in the case of a corporation, has terminated its existence.

Mr. BRIGGS. Mr. Chairman, I wish to ask the gentleman from Georgia a question. Under the provisions of this act, is there any provision for unusually large refunds that might be made in the future?

Mr. CRISP. There is no change in the existing law in relation to that.

The Clerk read as follows:

(a) For the calendar year 1932 and each calendar year thereafter a tax, computed as provided in section 502, shall be imposed upon the transfer during such calendar year by any individual, resident or nonresident, of property by gift.

Mr. LAGUARDIA. Mr. Chairman, I move to strike out the last word. I think this is the last observation I shall have to make in debate on this bill, but I want to inform the House of the attempts that are being made to avoid taxes before the bill is approved and enacted into law—not by any shyster lawyer, not by any irresponsible citizen, but by great financial institutions.

I have here a letter written by one of the biggest financial institutions in this country, if not the whole world, the Chase National Bank, of New York, written to all of its patrons under date of March 26, 1932. I have purposely deleted the name of the addressee because he is a gentleman of the highest standing, a man of means, but patriotic and willing to pay his share toward balancing the Budget and putting our country back on its feet, but I shall read to you the astounding language of this letter written to all the patrons of this bank. I have quite a collection of these letters. It says:

Albert H. Wiggin, chairman governing board; John McHugh, chairman executive committee; Charles S. McCain, chairman board of directors; Winthrop W. Aldrich, president; Reeve Schley, vice president.

THE CHASE NATIONAL BANK
OF THE CITY OF NEW YORK,
TRUST DEPARTMENT, 11 BROAD STREET,
New York, March 26, 1932.

The proposed Federal estate supertax is leading many of our clients to scrutinize their estate plans very carefully in order to obtain maximum economies. Between now and the effective date of the proposed law it will be possible, in certain instances, to effect maximum economies by setting up irrevocable living trusts, but after the passage of the new revenue bill, which is expected to include the new gift tax, the amount which an estate owner can save by setting up irrevocable living trusts will be substantially reduced.

Since it appears that the new bill does not contain any retroactive clause, those who act at once to create irrevocable living trusts may be able to save the gift-tax levy and at the same time minimize their estate liabilities and income taxes. If you will write us indicating a time and place of appointment, we shall be glad to arrange a meeting between you and a member of our trust department staff to discuss this problem with you.

Very truly yours,

REEVE SCHLEY, Vice President.

The chairman of the board of governors of this institution is Mr. Albert H. Wiggin, who is one of the original and prime sponsors of a movement in this country for reducing wages and bringing down the standard of living. This great institution and others have been criticizing Congress for delay in balancing the Budget, and here is an example of their efforts to destroy the work of Congress and defeat the very taxes necessary to balance the Budget.

Mr. Chairman, here is another great institution, the National City Bank of New York City, and I want Members to listen to this most astounding bank practice. I have here a memorandum written by the National City Bank to their attorneys. I shall not mention the name of the bank patron involved, but it is fair to say that he is not an American, he is not a South American, he is not a Canadian, and

he is not a European. Every Member would know his name if I mentioned it. I read:

Several times during the past few weeks we have had up with you the matter of the Federal estate tax in connection with the securities accounts standing on the books of the National City Bank in the name of ----- and Madame ----- Our Mr. -----, of ----- division, has this account under his jurisdiction and wishes to submit a suggestion to Mr. ----- regarding the rearrangement of his account so as to avoid, as far as possible, the Federal estate tax. He proposes to suggest that securities having a market value of approximately one-half million dollars be transferred out of his present account and placed in an account to be opened in the name of Madame -----; that a further block of about half a million dollars, market value, be placed in an account to be opened in the name of -----'s children, who we understand are minors, the balance of the account to be carried in his name. It is intended that if ----- acts on this proposal and the two additional accounts are opened, Madame ----- will request the bank to accept such instructions as ----- may wish to give in regard to the disposition of income and the principal, if he should so desire. In order to assist in dealing with the subject he suggests that counsel prepare a letter to be signed by ----- instructing the bank to make the transfers in question. He would also like to get the form of letter which Mrs. ----- should write to the National City Bank instructing it to accept such instructions as he may choose to give with regard to the operation of her account. In the case of the minor children of -----, I take it, it will be sufficient for him to instruct the bank to transfer certain securities out of his joint account into the account to be opened in his name as natural guardian, and that the bank will accept his instructions regarding the operation of this account.

There, Mr. Chairman, it will be seen how necessary it is to legislate carefully to avoid these evasions of the just payment of taxes. I submit again that all this criticism against some of us who opposed the sales tax by these very people who heaped abuse on us for failure of our willingness to balance the Budget comes with very poor grace. Here you have the written evidence of their state of mind; this very act to avoid the law is typical of the policy and practice of these financial institutions. Just imagine, publicly urging Congress to enact a new revenue bill to establish more taxes and at the same time maintaining departments to aid and abet in the evasion of taxes. Oh, yes, gentlemen, they are all in favor of balancing the Budget if we tax the other fellow. In the case of Wiggins, Chase National Bank, and City National Bank the other fellow is the small business man, the honest manufacturer, and the wage earners. "Soak them with a sales tax," says the multimillionaire, "but do not tax us. If you do, we will duck the tax—making money in telling other people how to dodge their taxes." [Applause.]

Mr. CRISP. Mr. Chairman, the gentleman from New York [Mr. LAGUARDIA], who has been very fair and frank, gave the subcommittee this morning the information contained in the letters he has just referred to. I was with the subcommittee. Of course the subcommittee—and the entire House, as far as that matter goes—wishes there was some way by which they could circumvent these attempts to avoid paying taxes, but there is nothing that we can do. The Supreme Court of the United States has decided it is perfectly constitutional to pass a gift tax to take effect from the date of the passage of the act, but it could not be made retroactive. So there is nothing we can do in the premises except to try to speed up the passage of the bill and have it enacted into law as quickly as possible. Then the gift-tax provisions will prevent this sort of fraud. [Applause.]

The Clerk read as follows:

(1) A tax, computed in accordance with the rate schedule hereinafter set forth, on the aggregate sum of the net gifts for such calendar year and for each of the preceding calendar years, over—

Mr. CRISP. Mr. Chairman, may I have the attention of the gentleman from New York? We have disposed of everything up to the place where the Clerk is reading at the present time except section 104. That is a very complicated matter and my friend from New York proposed to offer an amendment to it. It was passed over at his request. He has intimated to me that he would be willing to forego the reading of that section at this time and that he is willing to withdraw his amendment, so that the reading of the bill will be up to the point where we are now.

Mr. Chairman, I ask unanimous consent that section 104 may be considered as having been read, and that the amend-

ment offered by the gentleman from New York may be withdrawn.

The CHAIRMAN. Is there objection to the request of the gentleman from Georgia?

Mr. LaGUARDIA. Mr. Chairman, I shall ask unanimous consent to withdraw my amendment. As the gentleman from Georgia says, this is a highly technical matter. It is more a matter of administration than the wording of the statute. I hope that between now and the final passage of the bill we may have further information as to the administration of the law. Mr. Chairman, I ask unanimous consent to withdraw my amendment.

Mr. GOSS. Is this in reference to the amendment we considered in regard to surpluses?

Mr. CRISP. Yes.

The CHAIRMAN. Without objection, the amendment of the gentleman from New York will be withdrawn.

There was no objection.

The CHAIRMAN. Is there objection to the request of the gentleman from Georgia that section 104 may be considered as having been read?

There was no objection.

The Clerk read as follows:

GIFT TAX RATE SCHEDULE

Upon net gifts not in excess of \$50,000, 1½ per cent.
 \$750 upon net gifts of \$50,000; and upon net gifts in excess of \$50,000 and not in excess of \$100,000, 3 per cent in addition of such excess.
 \$2,250 upon net gifts of \$100,000; and upon net gifts in excess of \$100,000 and not in excess of \$200,000, 4½ per cent in addition of such excess.
 \$6,750 upon net gifts of \$200,000; and upon net gifts in excess of \$200,000 and not in excess of \$400,000, 6 per cent in addition of such excess.
 \$18,750 upon net gifts of \$400,000; and upon net gifts in excess of \$400,000 and not in excess of \$600,000, 7½ per cent in addition of such excess.
 \$33,750 upon net gifts of \$600,000; and upon net gifts in excess of \$600,000 and not in excess of \$800,000, 9 per cent in addition of such excess.
 \$51,750 upon net gifts of \$800,000; and upon net gifts in excess of \$800,000 and not in excess of \$1,000,000, 10½ per cent in addition of such excess.
 \$72,750 upon net gifts of \$1,000,000; and upon net gifts in excess of \$1,000,000 and not in excess of \$1,500,000, 12 per cent in addition of such excess.
 \$132,750 upon net gifts of \$1,500,000; and upon net gifts in excess of \$1,500,000 and not in excess of \$2,000,000, 13½ per cent in addition of such excess.
 \$200,250 upon net gifts of \$2,000,000; and upon net gifts in excess of \$2,000,000 and not in excess of \$2,500,000, 15 per cent in addition of such excess.
 \$275,250 upon net gifts of \$2,500,000; and upon net gifts in excess of \$2,500,000 and not in excess of \$3,000,000, 16½ per cent in addition of such excess.
 \$357,750 upon net gifts of \$3,000,000; and upon net gifts in excess of \$3,000,000 and not in excess of \$3,500,000, 18 per cent in addition of such excess.
 \$447,750 upon net gifts of \$3,500,000; and upon net gifts in excess of \$3,500,000 and not in excess of \$4,000,000, 19½ per cent in addition of such excess.
 \$545,250 upon net gifts of \$4,000,000; and upon net gifts in excess of \$4,000,000 and not in excess of \$5,000,000, 21 per cent in addition of such excess.
 \$755,250 upon net gifts of \$5,000,000; and upon net gifts in excess of \$5,000,000 and not in excess of \$6,000,000, 22½ per cent in addition of such excess.
 \$980,250 upon net gifts of \$6,000,000; and upon net gifts in excess of \$6,000,000 and not in excess of \$7,000,000, 24 per cent in addition of such excess.
 \$1,220,250 upon net gifts of \$7,000,000; and upon net gifts in excess of \$7,000,000 and not in excess of \$8,000,000, 25½ per cent in addition of such excess.
 \$1,475,250 upon net gifts of \$8,000,000; and upon net gifts in excess of \$8,000,000 and not in excess of \$9,000,000, 27 per cent in addition of such excess.
 \$1,745,250 upon net gifts of \$9,000,000; and upon net gifts in excess of \$9,000,000 and not in excess of \$10,000,000, 28½ per cent in addition of such excess.
 \$2,030,250 upon net gifts of \$10,000,000; and upon net gifts in excess of \$10,000,000, 30 per cent in addition of such excess.

Mr. RAMSEYER. Mr. Chairman, I offer an amendment.

The CHAIRMAN. The gentleman from Iowa offers an amendment, which the Clerk will report.

The Clerk read as follows:

Amendment offered by Mr. RAMSEYER: Page 191, strike out lines 9 to 24, both inclusive, all of page 192, and lines 1 to 18, both inclusive, on page 193, and in lieu thereof insert the following:

"Upon net gifts not in excess of \$10,000, three-fourths of 1 per cent.

"\$75 upon net gifts of \$10,000; and upon net gifts in excess of \$10,000 and not in excess of \$20,000, 1½ per cent in addition of such excess.

"\$225 upon net gifts of \$20,000; and upon net gifts in excess of \$20,000 and not in excess of \$30,000, 2¼ per cent in addition of such excess.

"\$450 upon net gifts of \$30,000; and upon net gifts in excess of \$30,000 and not in excess of \$40,000, 3 per cent in addition of such excess.

"\$750 upon net gifts of \$40,000; and upon net gifts in excess of \$40,000 and not in excess of \$50,000, 3¾ per cent in addition of such excess.

"\$1,125 upon net gifts of \$50,000; and upon net gifts in excess of \$50,000 and not in excess of \$100,000, 5 per cent in addition of such excess.

"\$3,625 upon net gifts of \$100,000; and upon net gifts in excess of \$100,000 and not in excess of \$200,000, 6½ per cent in addition of such excess.

"\$10,125 upon net gifts of \$200,000; and upon net gifts in excess of \$200,000 and not in excess of \$400,000, 8 per cent in addition of such excess.

"\$26,125 upon net gifts of \$400,000; and upon net gifts in excess of \$400,000 and not in excess of \$600,000, 9½ per cent in addition of such excess.

"\$45,125 upon net gifts of \$600,000; and upon net gifts in excess of \$600,000 and not in excess of \$800,000, 11 per cent in addition of such excess.

"\$67,125 upon net gifts of \$800,000; and upon net gifts in excess of \$800,000 and not in excess of \$1,000,000, 12½ per cent in addition of such excess.

"\$92,125 upon net gifts of \$1,000,000; and upon net gifts in excess of \$1,000,000 and not in excess of \$1,500,000, 14 per cent in addition of such excess.

"\$162,125 upon net gifts of \$1,500,000; and upon net gifts in excess of \$1,500,000 and not in excess of \$2,000,000, 15½ per cent in addition of such excess.

"\$239,625 upon net gifts of \$2,000,000; and upon net gifts in excess of \$2,000,000 and not in excess of \$2,500,000, 17 per cent in addition of such excess.

"\$324,625 upon net gifts of \$2,500,000; and upon net gifts in excess of \$2,500,000 and not in excess of \$3,000,000, 18½ per cent in addition of such excess.

"\$417,125 upon net gifts of \$3,000,000; and upon net gifts in excess of \$3,000,000 and not in excess of \$3,500,000, 20 per cent in addition of such excess.

"\$517,125 upon net gifts of \$3,500,000; and upon net gifts in excess of \$3,500,000 and not in excess of \$4,000,000, 21½ per cent in addition of such excess.

"\$624,625 upon net gifts of \$4,000,000; and upon net gifts in excess of \$4,000,000 and not in excess of \$4,500,000, 23 per cent in addition of such excess.

"\$739,625 upon net gifts of \$4,500,000; and upon net gifts in excess of \$4,500,000 and not in excess of \$5,000,000, 24½ per cent in addition of such excess.

"\$862,125 upon net gifts of \$5,000,000; and upon net gifts in excess of \$5,000,000 and not in excess of \$6,000,000, 26 per cent in addition of such excess.

"\$1,122,125 upon net gifts of \$6,000,000; and upon net gifts in excess of \$6,000,000 and not in excess of \$7,000,000, 27½ per cent in addition of such excess.

"\$1,397,125 upon net gifts of \$7,000,000; and upon net gifts in excess of \$7,000,000 and not in excess of \$8,000,000, 29 per cent in addition of such excess.

"\$1,687,125 upon net gifts of \$8,000,000; and upon net gifts in excess of \$8,000,000 and not in excess of \$9,000,000, 30½ per cent in addition of such excess.

"\$1,992,125 upon net gifts of \$9,000,000; and upon net gifts in excess of \$9,000,000 and not in excess of \$10,000,000, 32 per cent in addition of such excess.

"\$2,312,125 upon net gifts of \$10,000,000; and upon net gifts in excess of \$10,000,000, 33½ per cent in addition of such excess."

Mr. RAMSEYER. Mr. Chairman, all this amendment does is this: The Ways and Means Committee reported estate-tax rates and also reported gift-tax rates. The brackets in the estate tax were the same as the brackets in the gift tax. In their respective brackets the gift-tax rates were just three-fourths of the estate-tax rates. The Committee of the Whole House on the state of the Union adopted a new schedule of estate-tax rates which are a little higher than the Ways and Means Committee recommended. The amendment which I now propose has the same brackets as the estate tax, as contained in the amendment adopted Tuesday of last week and in each of the brackets the rates for the gift tax are three-fourths of the rates of the estate tax.

The Committee on Ways and Means has approved this amendment, and as there is no opposition to this amendment it is not necessary for me to take time to explain it further.

Mr. CRISP. Mr. Chairman, this matter was before the Ways and Means Committee and the committee decided that if the rates of the Ramseyer amendment in relation to the inheritance taxes, increasing the committee rates 5 per cent, and also changing the brackets, is to become a law it is perfectly logical that the Ramseyer amendment, increasing the rates of the gift tax proportionately, should be accepted. The Ramseyer amendment, both as to inheritance and estate taxes, changes the committee bill in that the exemption is \$50,000 instead of \$100,000.

There is also more of a curve in the Ramseyer amendment, in most instances, with respect to both the estate tax and the gift tax. The committee is not going to resist the adoption of this amendment, but if a separate vote should be had in the House, which I am not going to ask for, and one of them is eliminated, I assume the House would eliminate the other.

Mr. RAMSEYER. That would be perfectly logical.

Mr. ALLGOOD. Will the gentleman yield?

Mr. RAMSEYER. I yield.

Mr. ALLGOOD. I would like to know how much revenue this will bring in as an increase over the committee proposal.

Mr. RAMSEYER. That is something that is very difficult to estimate. Under the gift tax we had in 1925 the collection made in 1926, I think, was \$3,175,000. That provision was repealed. If those who would be inclined to make gifts should get it into their heads that this gift tax will be repealed in two or three years there will not be many gifts made. It is very difficult to estimate on this kind of a tax.

Mr. RAGON. I will say to the gentleman that Mr. Parker, one of the experts of the committee, estimates that the gentleman's gift taxes will raise \$5,000,000 in addition to the amount that would be raised under the gift-tax provision reported by the committee.

The CHAIRMAN (Mr. JONES). The question is on the amendment offered by the gentleman from Iowa [Mr. RAMSEYER].

The amendment was agreed to.

Mr. RANKIN. Mr. Chairman, I move to strike out the last word for the purpose of directing an inquiry to the gentleman from Georgia, the acting chairman of the committee. I want to find out how late we are going to run to-night.

Mr. CRISP. I have stated on the floor, and I can only repeat, if the membership of the House will stay with me, I am going to ask the committee to stay in continuous session until we have read all of the bill except the last section, and also one matter that I am going to ask be passed over, and I shall state to the gentleman what it is.

The only retroactive provision in this bill is the one dealing with the valuation of estates, on account of the great drop in the price of securities. I think it is important, and I want to give the House all the information I have on it, so that the House can pass upon it. I am going to ask that this be passed over until to-morrow morning; and by the way we have been going lately, I think we ought to accomplish what I am after by 7 o'clock.

Mr. RAMSEYER. In order to make it clear, do I understand the gentleman to say that section 810 will not be taken up this evening?

Mr. CRISP. If that is the correct number—I have described the provision.

The Clerk read as follows:

SEC. 505. DEDUCTIONS

In computing net gifts for any calendar year there shall be allowed as deductions:

(a) Residents: In the case of a resident—

(1) Specific exemption: An exemption of \$100,000, less the aggregate of the amounts claimed and allowed as specific exemption for preceding calendar years.

(2) Charitable, etc., gifts: The amount of all gifts made during such year to or for the use of—

(A) the United States, any State, Territory, or any political subdivision thereof, or the District of Columbia, for exclusively public purposes;

(B) a corporation, or trust, or community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, including the encouragement of art and the prevention of cruelty to children or animals; no part of the net earnings of which inures to the benefit of any private shareholder or individual;

(C) a fraternal society, order, or association, operating under the lodge system, but only if such gifts are to be used exclusively for religious, charitable, scientific, literary, or educational purposes, including the encouragement of art and the prevention of cruelty to children or animals;

(D) posts or organizations of war veterans, or auxiliary units or societies of any such posts or organizations, if such posts, organizations, units, or societies are organized in the United States or any of its possessions, and if no part of their net earnings inures to the benefit of any private shareholder or individual;

(E) the special fund for vocational rehabilitation authorized by section 12 of the World War veterans' act, 1924.

Mr. RAMSEYER. Mr. Chairman, I offer an amendment. The Clerk read as follows:

Amendment by Mr. RAMSEYER: Page 194, line 18, strike out "\$100,000" and insert in lieu thereof "\$50,000."

Mr. RAMSEYER. Mr. Chairman, this is simply to conform with the other amendment with respect to the gift tax.

Mr. CRISP. I understand.

The amendment was agreed to.

The Clerk read as follows:

Section 301 of the revenue act of 1926 is amended by inserting after subdivision (a) a new subdivision to read as follows:

"(b) (1) If a tax has been paid under Title III of the revenue act of 1932 on a gift, and thereafter upon the death of the donor any amount in respect of such gift is required to be included in the value of the gross estate of the decedent for the purposes of this title, then there shall be credited against the tax imposed by subdivision (a) of this section the amount of the tax paid under such Title III with respect to so much of the property which constituted the gift as is included in the gross estate, except that the amount of such credit shall not exceed an amount which bears the same ratio to the tax imposed by subdivision (a) of this section as the value (at the time of the gift or at the time of the death, whichever is lower) of so much of the property which constituted the gift as is included in the gross estate bears to the value of the entire gross estate.

"(2) For the purposes of paragraph (1), the amount of tax paid for any year under Title III of the revenue act of 1932 with respect to any property shall be an amount which bears the same ratio to the total tax paid for such year as the value of such property bears to the total amount of net gifts (computed without deduction of the specific exemption) for such year."

Mr. VINSON of Kentucky. Mr. Chairman, I offer the following amendment:

The Clerk read as follows:

Committee amendment: Page 189, strike out lines 19 to 25, both inclusive, and lines 1 and 2, on page 190, and insert in lieu thereof the following:

"(b) (1) If a tax has been paid under Title III of this act on a gift, and thereafter upon the death of the donor, any amount in respect of such gift is required to be included in the value of the gross estate of the decedent for the purposes of this title, then there shall be credited against the tax imposed by section 401 of this act the amount of the tax paid under such Title III with respect to so much of the property which constituted the gift as is included in the gross estate, except that the amount of such credit (A) shall not exceed an amount which bears the same ratio to the tax imposed by section 401 of this act as the value (at the time of the gift or at the time of the death, whichever is lower) of so much of the property which constituted the gift as is included in the gross estate bears to the value of the entire gross estate, and (B) shall not exceed the amount by which the gift tax paid under Title III of this act with respect to so much of the property as constituted the gift as is included in the gross estate exceeds the amount of the credit under section 301(b) of the revenue act of 1926, as amended by this act.

"(2) For the purposes of paragraph (1), the amount of tax paid for any year under Title III of this act with respect to any property shall be an amount which bears the same ratio to the total tax paid for such year as the value of such property bears to the total amount of net gifts (computed without deduction of the specific exemption) for such year."

Mr. VINSON of Kentucky. This amendment is offered to conform with the Ramseyer amendment just adopted.

Mr. RAMSEYER. Will the gentleman state just what the amendment is?

Mr. VINSON of Kentucky. It is an amendment to take care of gifts that are made in their application to the determination of the amount of the estate tax. In other words, if there is a gift made in contemplation of death, this is to take care of the additional estate tax.

Mr. RAMSEYER. A gift in contemplation of death—is there any time limit in it?

Mr. VINSON of Kentucky. No. The Supreme Court in a recent decision passed upon that and voided the congress-

sional mandate, that if a gift was made within two years prior to death, it was conclusive presumption that it was made in contemplation of death.

Mr. RAMSEYER. The decision of the court was against the conclusive presumption.

Mr. VINSON of Kentucky. It voided the conclusive presumption. I will say to the gentleman that we will have an amendment to offer that will apply to the presumptive proposition.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Kentucky.

The committee amendment was agreed to.

Mr. VINSON of Kentucky. Mr. Chairman, I offer another amendment.

The Clerk read as follows:

Page 190, line 9, after "1926," insert a comma and the following: "except that a return shall be required if the gross estate at the time of the decedent's death exceeds \$50,000."

The CHAIRMAN. The question is on the committee amendment.

The committee amendment was agreed to.

The Clerk read as follows:

(a) The first sentence of section 302 (c) of the revenue act of 1926, as amended by the joint resolution of March 3, 1931, is amended to read as follows:

"(c) To the extent of any interest therein of which the decedent has at any time made a transfer, by trust or otherwise, in contemplation of or intended to take effect in possession or enjoyment at or after his death, or of which he has at any time made a transfer by trust or otherwise, under which he has retained for his life or for any period not ascertainable without reference to his death or for any period which does not in fact end before his death (1) the possession or enjoyment of, or the right to the income from, the property, or (2) the right, either alone or in conjunction with any person, to designate the persons who shall possess or enjoy the property or the income therefrom; except in case of a bona fide sale for an adequate and full consideration in money or money's worth."

(b) Section 302 (f) of the revenue act of 1926 is amended to read as follows:

"(f) To the extent of any property passing under a general power of appointment exercised by the decedent (1) by will, or (2) by deed executed in contemplation of or intended to take effect in possession or enjoyment at or after his death, or (3) by deed under which he has retained for his life or any period not ascertainable without reference to his death or for any period which does not in fact end before his death (A) the possession or enjoyment of, or the right to the income from, the property, or (B) the right, either alone or in conjunction with any person, to designate the persons who shall possess or enjoy the property or the income therefrom; except in case of a bona fide sale for an adequate and full consideration in money or money's worth; and."

(c) The first sentence of section 315 (b) of the revenue act of 1926 is amended to read as follows:

"(b) If (1) except in the case of a bona fide sale for an adequate and full consideration in money or money's worth, the decedent makes a transfer, by trust or otherwise, of any property in contemplation of or intended to take effect in possession or enjoyment at or after his death, or makes a transfer, by trust or otherwise, under which he has retained for his life or for any period not ascertainable without reference to his death or for any period which does not in fact end before his death (A) the possession or enjoyment of, or the right to the income from, the property, or (B) the right, either alone or in conjunction with any person, to designate the persons who shall possess or enjoy the property or the income therefrom, or (2) if insurance passes under a contract executed by the decedent in favor of a specific beneficiary, and if in either case the tax in respect thereto is not paid when due, then the transferee, trustee, or beneficiary shall be personally liable for such tax, and such property, to the extent of the decedent's interest therein at the time of such transfer, or to the extent of such beneficiary's interest under such contract of insurance, shall be subject to a like lien equal to the amount of such tax."

Mr. STAFFORD. Mr. Chairman, I move to strike out the last word. Has the committee considered at any time reducing the amount of the 80 per cent that we have been giving to the States in inheritance taxes?

Mr. CRISP. The committee did not consider changing it. There was some general discussion, but the committee felt that in levying the supertaxes it did not desire to disturb the present law at all. A number of States passed income tax laws after Congress passed this law permitting them to participate up to 80 per cent, and we did not consider it wise to interfere with that at the present time.

Mr. STAFFORD. I withdraw the pro forma amendment.
Mr. CRISP. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment by Mr. CRISP: Page 262, strike out lines 7 to 24, both inclusive, and insert in lieu thereof the following:

"(a) Section 302 (c) of the revenue act of 1926, as amended by the joint resolution of March 3, 1931, is amended to read as follows:

"(c) To the extent of any interest therein of which the decedent has at any time made a transfer, by trust or otherwise, in contemplation of or intended to take effect in possession or enjoyment at or after his death, or of which he has at any time made a transfer, by trust or otherwise, under which he has retained for his life or for any period not ascertainable without reference to his death or for any period which does not in fact end before his death (1) the possession or enjoyment of, or the right to the income from, the property, or (2) the right, either alone or in conjunction with any person, to designate the persons who shall possess or enjoy the property or the income therefrom; except in case of a bona fide sale for an adequate and full consideration in money or money's worth. Any transfer of a material part of his property in the nature of a final disposition or distribution thereof, made by the decedent within two years prior to his death without such consideration, shall, unless shown to the contrary, be deemed to have been made in contemplation of death within the meaning of this title."

Mr. CRISP. Mr. Chairman, the effect of that amendment is to remove from the present law the provision that says that when gifts are made within two years they are conclusively presumed to be made to avoid the estate tax. That is the provision of law that the Supreme Court a few days ago declared unconstitutional. This retains in the law the prima facie evidence that such gifts were made in contemplation of death, and with this amendment the Government will receive either the gift-tax rate or the estate-tax rate on the estate of any decedent.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Georgia.

The amendment was agreed to.

Mr. CRISP. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. CRISP: Page 227, line 12, strike out the semicolon and insert a comma and the following: "and for the purposes of section 336 of such act (the so-called flexible tariff provision) such tax shall not be considered a duty."

Mr. CRISP. Mr. Chairman, it will be recalled that in this bill we have levied several excise duties on imported and also domestic goods. This simply provides that the additional excise import tax levied on imported goods shall not be added to the cost for the Tariff Commission to apply the flexible clause lowering the rate in the tariff 50 per cent.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Georgia.

The amendment was agreed to.

Mr. CRISP. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment by Mr. CRISP: Page 228, line 2, strike out all after "country" down to but not including the period, in line 8.

Mr. CRISP. The effect of this is to strike out some language in the bill that was applicable when the manufacturers' excise title was in it, but that being eliminated, the language is unnecessary. This removes it from the bill.

The CHAIRMAN. The question is on agreeing to the committee amendment.

The amendment was agreed to.

Mr. CRISP. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. CRISP: Page 250, strike out lines 19 to 24, both inclusive, and insert in lieu thereof the following:

"SEC. —. DEFINITION OF SALE

"For the purposes of this title, the lease of an article shall be considered the sale of such article.

"SEC. —. RETAIL SALES

"If any manufacturer, producer, or importer liable under this title for tax based on the price for which any articles are sold by him customarily sells such articles both at wholesale and at retail,

the tax in the case of any article sold by him at retail shall be computed on the price for which like articles are sold by him at wholesale.

"SEC. —. SALES FOR LESS THAN FAIR MARKET PRICE

"If any person sells an article to any person (otherwise than through an arm's-length transaction) at less than the fair market price, the tax under this title on the sale of such article shall (if based on the price for which sold) be computed on the fair market price of such article.

"SEC. —. CONTRACTS PRIOR TO MARCH 1, 1932

"(a) If (1) any person has, prior to March 1, 1932, made a bona fide contract with another person for the sale, after the tax takes effect, of any article in respect of the sale of which a tax is imposed under this title, or in respect of which a tax is imposed under this subsection, and (2) such contract does not permit the adding to the amount to be paid under such contract, of the whole of such tax, then the vendee shall, in lieu of the vendor, pay so much of the tax as is not so permitted to be added to the contract price.

"(b) The taxes payable by the vendee shall be paid to the vendor at the time the sale is consummated, and shall be collected, returned, and paid to the United States by such vendor in the same manner as provided in section 702.

"SEC. —. RETURN AND PAYMENT OF MANUFACTURERS' TAXES

"(a) Every person liable for any tax imposed by this title on sales by him (except tax under section —, relating to tax on beverages) shall make monthly returns under oath in duplicate and pay the taxes imposed by this title to the collector for the district in which is located his principal place of business, or, if he has no principal place of business in the United States, then to the collector at Baltimore, Md. Such returns shall contain such information and be made at such times and in such manner as the commissioner, with the approval of the Secretary, may by regulations prescribe.

"(b) The tax shall, without assessment by the commissioner or notice from the collector, be due and payable to the collector at the time so fixed for filing the return. If the tax is not paid when due, there shall be added as part of the tax interest at the rate of 1 per cent a month from the time when the tax became due until paid.

"SEC. —. APPLICABILITY OF ADMINISTRATIVE PROVISIONS

"All provisions of law (including penalties) applicable in respect of the taxes imposed by section 600 of the revenue act of 1926, shall, in so far as applicable and not inconsistent with this act, be applicable in respect of the taxes imposed by this title.

"SEC. —. RULES AND REGULATIONS

"The commissioner, with the approval of the Secretary, shall prescribe and publish all needful rules and regulations for the enforcement of this title.

"SEC. —. EFFECTIVE DATE

"This title shall take effect on the fifteenth day after the date of the enactment of this act, except that section —, relating to rules and regulations, and this section shall take effect on the date of the enactment of this act. No sale or importation after June 30, 1934, shall be taxable under this title."

Mr. CRISP. Mr. Chairman, the amendment simply provides the regulations for the collection of these special taxes levied in this bill on cosmetics, toilet preparations, automobiles, and sundry and divers other articles. It carries out what has been done all through the bill, provides that they shall cease by operation of law to be subject to the taxes on July 1, 1934, and the regulation provides that these taxes shall go into effect 15 days after the approval of this act.

Mr. KVALE. Will the gentleman yield?

Mr. CRISP. I yield.

Mr. KVALE. Will the gentleman advise me whether that includes oil and coal?

Mr. CRISP. That includes all of the special excise taxes.

The CHAIRMAN. The question is on the committee amendment.

The committee amendment was agreed to.

The Clerk read as follows:

Sections 303 (a) (3) and 303 (b) (3) of the revenue act of 1926 are amended by inserting after the first sentence of each a new sentence to read as follows:

"If the tax imposed by section 301, or any estate, succession, legacy, or inheritance taxes, are, either by the terms of the will, by the law of the jurisdiction under which the estate is administered, or by the law of the jurisdiction imposing the particular tax, payable in whole or in part out of the bequests, legacies, or devises otherwise deductible under this paragraph, then the amount deductible under this paragraph shall be the amount of such bequests, legacies, or devises reduced by the amount of such taxes."

Mr. CRISP. Mr. Chairman, I offer the following committee amendment.

The CHAIRMAN. The gentleman from Georgia offers a committee amendment, which the Clerk will report.

The Clerk read as follows:

Committee amendment offered by Mr. CRISP: Page 269, after line 20, insert a new section to read as follows:

"SEC. —. EXTENSION OF TIME FOR PAYMENT

"(a) Section 305 (b) of the revenue act of 1926 is amended to read as follows:

"(b) Where the commissioner finds that the payment on the due date of any part of the amount determined by the executor as the tax would impose undue hardship upon the estate, the commissioner may extend the time for payment of any such part not to exceed eight years from the due date. In such case the amount in respect of which the extension is granted shall be paid on or before the date of the expiration of the period of the extension, and the running of the statute of limitations for assessment and collection, as provided in sections 310 (a) and 311 (b), shall be suspended for the period of any such extension. If an extension is granted, the commissioner may require the executor to furnish a bond in such amount, not exceeding double the amount in respect of which the extension is granted, and with such sureties as the commissioner deems necessary, conditioned upon the payment of the amount in respect of which the extension is granted in accordance with the terms of the extension."

"(b) Section 308 (1) of the revenue act of 1926 is amended to read as follows:

"(1) Where it is shown to the satisfaction of the commissioner that the payment of a deficiency upon the date prescribed for the payment thereof will result in undue hardship to the estate, the commissioner, with the approval of the Secretary (except where the deficiency is due to negligence, to intentional disregard of rules and regulations, or to fraud with intent to evade tax), may grant an extension for the payment of such deficiency or any part thereof for a period not in excess of four years. If an extension is granted, the commissioner may require the executor to furnish a bond in such amount, not exceeding double the amount of the deficiency, and with such sureties as the commissioner deems necessary, conditioned upon the payment of the deficiency in accordance with the terms of the extension. In such case the running of the statute of limitations for assessment and collection, as provided in sections 310 (a) and 311 (b), shall be suspended for the period of any such extension, and there shall be collected as a part of the tax interest on the part of the deficiency the time for payment of which is so extended at the rate of 6 per cent per annum for the period of the extension, and no other interest shall be collected on such part of the deficiency for such period. If the part of the deficiency the time for payment of which is so extended is not paid in accordance with the terms of the extension, there shall be collected as a part of the tax interest on such unpaid amount at the rate of 1 per cent a month for the period from the time fixed by the terms of the extension for its payment until it is paid, and no other interest shall be collected on such unpaid amount for such period."

Mr. CRISP. Mr. Chairman, I think I ought to explain this amendment briefly. Under existing law, when a person dies, the estate has six years in which to pay the tax, when undue hardship would be inflicted on the estate if the tax were required to be paid in a shorter time, discretion being left to the commissioner, with the approval of the Secretary of the Treasury, to determine whether hardship would ensue. On these deferred payments they have to pay 6 per cent interest. On the deficiencies they have, under existing law, two years. The deferred payments bear 6 per cent interest, and a bond is required to guarantee that the Government will collect the amount of the tax plus 6 per cent interest.

It has developed in some of these very large estates that sometimes it would destroy an estate if they were forced to throw it on the market, especially estates consisting of large tracts of land where, possibly, they can not sell the lands at all.

This amendment simply permits, in cases where it would be an undue hardship on the estate to force the payment of the tax within the six years as now required by law, an extension to eight years, giving two years additional within which the amount of the estate tax due the Government may be paid. But let me repeat, before that is done the commissioner and the Secretary of the Treasury must decide it would be an undue hardship on the estate. Then the estate must give a bond for the payment of the tax, and the Government receives 6 per cent interest.

The CHAIRMAN. The question is on the committee amendment.

The committee amendment was agreed to.

The Clerk read as follows:

SEC. 810. Revaluation of depreciated estates—retroactive.

Mr. CRISP. Mr. Chairman, I think this is an important matter and I want the committee to consider it. I do not want to take it up at this late hour. I am going to be very frank and state that I want to save at least one section of this bill for consideration to-morrow, because I do not desire to get this bill out of committee to-night, for it may be necessary to-morrow for the committee to offer some other amendments, and I want some part of the bill pending so I can return to the committee to-morrow.

Therefore, I ask unanimous consent that this section, 810, be passed over.

The CHAIRMAN. Is there objection to the request of the gentleman from Georgia?

There was no objection.

The Clerk read as follows:

(b) The amendment made by subsection (a) of this section shall not apply in respect of decisions of the Board of Tax Appeals rendered on or before the date of the enactment of this act.

Mr. CRISP. Mr. Chairman, this is the last committee amendment I have to offer to-day.

The Clerk read as follows:

Committee amendment: Page 276, after line 4, insert a new section, as follows:

"SEC. —. SPECIAL DISBURSING AGENTS OF TREASURY

"The Secretary of the Treasury is authorized to designate agents in charge of divisions of internal-revenue agents to act as special disbursing agents of the Treasury for the payment of all salaries and expenses of such divisions, on giving good and sufficient bond in such form and with such security as the Secretary of the Treasury may approve, notwithstanding section 3144, Revised Statutes, as amended."

Mr. CRISP. Mr. Chairman, this does not add any new employees or any expense to the Government. The Treasury Department for years has had a revenue agent designated to act as a disbursing officer to pay the salaries of the employees. The Comptroller General has raised some question as to whether they could have a disbursing agent pay these bills, contending that the collector should be the disbursing officer.

This is in accordance with what has been done in the Treasury Department for years. The Treasury Department has recommended this so as to remove any question that may arise with the comptroller as to whether these revenue agents can be designated to act as disbursing officers for the Treasury. Of course, they are under bond to account for their acts and for any moneys handled or paid out.

The committee amendment was agreed to.

The Clerk read as follows:

SEC. 1003. REFUND OF TAXES FOR TAXABLE YEAR 1918

Section 284(h) of the revenue act of 1926 is amended to read as follows:

"(h) Except as provided in subdivision (d) this section shall not (1) bar from allowance a claim for credit or refund filed prior to the enactment of this act which but for such enactment would have been allowable, or (2) bar from allowance a claim in respect of a tax for the taxable year 1918, 1919, or 1920 if such claim is filed before the expiration of five years after the date the return was due."

Mr. BLACK. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. BLACK: Insert as part of Title VIII, administrative and general provisions, after item 14 on page 276, a new section, reading as follows:

"SEC. 1003½. CLAIMS BY ALIEN PROPERTY CUSTODIAN

"All claims for the refunding or crediting of any internal-revenue tax alleged to have been erroneously or illegally assessed or collected may be presented by the Alien Property Custodian to the Commissioner of Internal Revenue on or before six months after the passage of this act, or on or before six months after the return of the property held by the custodian, whichever date is later."

Mr. STAFFORD. Mr. Chairman, I reserve a point of order.

Mr. CRISP. Mr. Chairman, I would like to ask my friend from New York if he will not withdraw this amendment. It is a complicated amendment and is one changing the alien property law. A number of lawyers appeared before

us and wanted to recommend such amendments on this bill as would open up matters in which they were representing clients. I am not criticizing them at all, but we were so rushed with the revenue bill we could not go into those matters. I know nothing about the amendment, and I am sure the committee does not.

Mr. LAGUARDIA. Mr. Chairman, if the gentleman will permit, why not let us vote it down? That is the most painless death we can give it.

Mr. BLACK. Mr. Chairman, I am going to accede to the suggestion of the chairman of the committee. I have offered this amendment on behalf of my colleague, the gentleman from New York [Mr. Celler], who, I understand, wanted it read not for the information of this House but the Senate.

I ask unanimous consent to withdraw the amendment.

The CHAIRMAN. Is there objection to the request of the gentleman from New York?

There was no objection.

The Clerk read as follows:

SEC. 1006. EFFECTIVE DATE OF ACT

Except as otherwise provided, this act shall take effect upon its enactment.

Mr. HAWLEY. Mr. Chairman, this completes the reading of the entire bill with the exception of section 810?

Mr. CRISP. Yes.

Mr. HAWLEY. And such other amendments as the committee may offer to-morrow?

Mr. CRISP. Under the kind permission of the Committee of the Whole House on the state of the Union, the committee is authorized to return to any part of the bill to-morrow to offer amendments. The subcommittee will meet to-night, will have its experts with them, and will try to check up and go over the bill and see if any clarifying amendments are necessary or whether it will be necessary to recommend other tax items.

I have called a meeting of the full Committee on Ways and Means to meet at 10.30 o'clock in the morning, and I see no reason now in the world why this bill should not be disposed of to-morrow; and if so, the House will adjourn over until Monday and the Members will be given a much-needed rest for two days. [Applause.]

Mr. Chairman, I move that the committee do now rise.

The motion was agreed to.

Accordingly the committee rose; and the Speaker having resumed the chair, Mr. JONES, Chairman of the Committee of the Whole House on the state of the Union, reported that that committee had had under consideration the bill H. R. 10236, the revenue bill, and had come to no resolution thereon.

TRANSFER OF JURISDICTION IN MANAGEMENT OF INDIAN COUNTRY

The SPEAKER laid before the House the following Senate resolution:

Senate Concurrent Resolution 23

Resolved by the Senate (the House of Representatives concurring), That the President of the United States be, and he is hereby, requested to return to the Senate the enrolled bill (S. 3322) entitled "An act to transfer certain jurisdiction from the War Department in the management of Indian country."

The resolution was agreed to.

EXTENSION OF REMARKS—THE REVENUE BILL OF 1932

Mr. AMLIE. Mr. Speaker, I am availing myself of this opportunity to extend my remarks in the RECORD in view of the fact that it was not possible to secure recognition on the floor and in view of the further fact that the Nelson amendment proposing a rebate of 4 cents a pound on tobacco purchased from farmers' cooperatives was voted down by acclamation.

This vote, of course, was due to the statement on the part of a member of the Committee on Ways and Means that whereas such a measure would help 8,000 farmers in Wisconsin belonging to the Northern Wisconsin Tobacco Pool, it would injure 418,000 farmers of the South who do not belong to any pool.

It is regrettable that no opportunity was afforded to answer this statement, but then, fortunately, the other body of

Congress will have something to say about this tax measure before it is enacted into law. It is to correct this misapprehension that I desire to make the following argument in the RECORD.

It is elementary that when farmers in any line organize into cooperatives for the purpose of securing better prices for their produce that they not only benefit themselves if they are successful, but they benefit the whole industry. This is true of tobacco. In 1922 approximately six cooperatives were organized in the United States. They have all gone out of existence save the Northern Wisconsin Tobacco Pool. This pool controls approximately 3 per cent of the total tobacco produced in the United States.

As a result of this pool, the tobacco buyer knows when he goes out to buy from the independent producer that if he does not succeed in purchasing all the tobacco he will need, it will be necessary for him to pay a higher price for that part of the crop controlled by the farmers' cooperative. The result is that the Wisconsin tobacco pool, if they are successful in raising prices, they succeed in raising the price for the whole crop produced in the United States.

The fact of the matter is that they help the 418,000 farmers through the rest of the United States almost as much as they help themselves. It is of vital interest to these 418,000 farmers that the Wisconsin crop should be held off the market by a strong organization and not dumped in competition with their crop before it is even grown, which would be the case if this pool were destroyed.

Every farmer who knows anything about cooperative merchandizing knows that this is true. It is unfortunate that the member of the committee should not be possessed of this most elementary information regarding the marketing of farm products. As a matter of fact, every Representative from tobacco-producing States should support and work for the Nelson amendment.

According to the figures introduced by Representative NELSON, the great tobacco companies having a total invested capital of \$200,000,000 earned in 1931 profits of approximately 50 per cent of their total capital. This shows the power of monopoly.

On the other hand, the farmers who are without any organized bargaining power were compelled to sell their crop for an average of 7 cents per pound, whereas the cost of raising this tobacco averaged 11 cents per pound.

It is true, as the gentleman from Georgia [Mr. CRISP] has stated, that the effect of this measure would be to bring all the tobacco raisers into farmers' cooperatives. This is justified. Both the Republican and Democratic Parties profess to favor the promotion of cooperative marketing on the part of farmers. Still in this instance both parties have voted against this very thing by almost a unanimous vote.

As matters now stand, the Wisconsin tobacco pool is protecting the tobacco market in precisely the same way that the Farm Board is trying to protect the wheat and cotton markets, the only difference being that in the case of wheat and cotton the Federal Government has voted \$500,000,000 to buy wheat and cotton in the open market. Most of this money has, of course, been lost.

In the case of the Northern Wisconsin Tobacco Pool the members of this organization have held the tobacco off the market at their own risk and expense and are now left holding the bag. Unless this matter is corrected in the other body, then in fairness to the American farmer, both parties should strike out of their political platforms any reference to the effect that they favor cooperative marketing on the part of farmers.

Mr. CANNON. Mr. Speaker, another assault is being made on the banks of the country.

Smarting under the defeat of the sales tax, the Treasury Department has forwarded to the Committee on Ways and Means a recommendation for a levy of 2 cents on every check and draft. They pass by numerous methods of raising revenue which have already proven their worth, and propose to saddle on the banks and their customers the most irksome and most deadly of all the nuisance taxes imposed during the war.

Many other taxes could be suggested which would bring in more money than the tax on checks and at the same time cause less inconvenience, but the administration seems determined to add to the load of the already overburdened country banks. It is establishing postal savings depositories in the smaller post offices every business day in the year. It is urging by radio, newspaper, and official circular the purchase of baby bonds, transferring funds from the banks to the United States Treasury. And now as a coup de grace it proposes to discourage bank deposits and put business back on the cash-and-barter basis of the last century by penalizing bank checks.

No more inopportune measure could be adopted. In response to Government admonitions to discontinue real-estate loans our banks have placed their surplus funds in bonds which, however conservatively selected, either yield inadequate returns or involve heavy depreciations, or both. In compliance with State and Federal requirements they have endeavored to "keep liquid" to the inconvenience of their customers and to the loss of their stockholders. In competition with postal savings and Government bond drives they have seen their deposits melting away until their reserves are depleted and their credit impaired. And now in the midst of an unprecedented panic, the Government proposes to further cripple the banks and confuse and complicate the transaction of business by putting a tax on every check issued by a depositor or a cashier. No more ill-advised measure could be suggested. It will retard recovery, stagnate business, and heavily handicap the banks. Hoarding will be revived. Rather than pay such a tax, men will sequester their currency in socks and sardine cans, instead of depositing in the bank, and will pay in cash instead of by check in their daily business transactions.

Banditry will be encouraged by the knowledge that men are carrying cash instead of check books, and that pay rolls are being paid in currency instead of script.

Long-established business methods will be disorganized when checks, formerly relied on as receipts and records of business transactions, are dispensed with and every man becomes his own banker.

In view of the present nation-wide depression a tax on checks and drafts is both unwise and unnecessary, and the House should see that the banking and business communities are spared this last injustice and indignity. In order to balance the Budget let us adopt almost any other form of tax in preference to a tax of checks and drafts.

In keeping the local bank open we are serving every business man and indirectly every citizen of the community.

Let us not add to their burdens and to the inconvenience and expense of their patrons by slapping a nuisance tax on checks.

ADJOURNMENT

Mr. CRISP. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 7 o'clock and 5 minutes p. m.) the House adjourned until to-morrow, Friday, April 1, 1932, at 12 o'clock noon.

COMMITTEE HEARINGS

Tentative list of committee hearings scheduled for Friday, April 1, 1932, as reported to the floor leader by the clerks of the several committees:

JUDICIARY—SUBCOMMITTEE NO. 2

(10 a. m.)

To incorporate the Disabled American Veterans of the World War (H. R. 4738).

DISTRICT OF COLUMBIA—SUBCOMMITTEE ON JUDICIARY

(10.30 a. m.)

Designating June 14 of every year a legal holiday (H. J. Res. 19).

To incorporate the Supreme Council, Illustrious Order Knights of the Cross (H. R. 7752).

To provide a game and bird sanctuary on the Potomac River, etc. (H. R. 10359).

EXECUTIVE COMMUNICATIONS, ETC.

512. Under clause 2 of Rule XXIV, a letter from the Secretary of War, transmitting copies of three resolutions relative to Philippine independence, which have been received from the office of the Governor General of the Philippine Islands, was taken from the Speaker's table and referred to the Committee on Insular Affairs.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of Rule XIII,

Mr. LEAVITT: Committee on Indian Affairs. H. R. 4755. A bill for the construction and equipping of a hospital on Crow Indian Reservation; with amendment (Rept. No. 953). Referred to the Committee of the Whole House on the state of the Union.

Mr. COLTON: Committee on the Public Lands. S. 3570. An act to amend the act entitled "An act confirming in States and Territories title to land granted by the United States in the aid of common or public schools," approved January 25, 1927; with amendment (Rept. No. 956). Referred to the Committee of the Whole House on the state of the Union.

Mr. SUMNERS of Texas: Committee on the Judiciary. H. R. 10587. A bill to provide for alternate jurors in certain criminal cases; without amendment (Rept. No. 957). Referred to the Committee of the Whole House on the state of the Union.

Mr. SUMNERS of Texas: Committee on the Judiciary. H. R. 10598. A bill to provide for the transportation of certain juvenile offenders to States under the law of which they have committed offenses or are delinquent, and for other purposes; without amendment (Rept. No. 958). Referred to the Committee of the Whole House on the state of the Union.

Mr. SUMNERS of Texas: Committee on the Judiciary. H. R. 10589. A bill to amend section 289 of the Criminal Code; without amendment (Rept. No. 959). Referred to the House Calendar.

Mr. SUMNERS of Texas: Committee on the Judiciary. H. R. 10599. A bill to fix the date when sentence of imprisonment shall begin to run, providing when the allowance to a prisoner of time for good conduct shall begin to run, and further to extend the provisions of the parole laws; without amendment (Rept. No. 960). Referred to the House Calendar.

Mr. SUMNERS of Texas: Committee on the Judiciary. H. R. 10640. A bill to provide for the punishment of certain crimes against the United States; with amendment (Rept. No. 961). Referred to the House Calendar.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of Rule XIII,

Mr. SOMERS of New York: Committee on Coinage, Weights, and Measures. S. J. Res. 33. A joint resolution to authorize the President to award gold medals to Wiley Post and Harold Gatty in recognition of their achievement in making an airplane flight around the world in less than nine days; without amendment (Rept. No. 954). Referred to the Committee of the Whole House.

Mr. HARE: Committee on War Claims. H. R. 3626. A bill for the relief of John I. Lowe; with amendment (Rept. No. 955). Referred to the Committee of the Whole House.

CHANGE OF REFERENCE

Under clause 2 of Rule XXII, the Committee on Invalid Pensions was discharged from the consideration of the bill (H. R. 6770) granting a pension to Ida M. Varble, and the same was referred to the Committee on Pensions.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of Rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. CHAVEZ: A bill (H. R. 11008) granting certain public lands to the State of New Mexico for the use and

benefit of the Spanish American Normal School, and for other purposes; to the Committee on the Public Lands.

By Mr. WEAVER: A bill (H. R. 11009) to extend the benefits of the act of May 1, 1926, to persons who were employed as teamsters in the Military Establishment in the war with Spain or the Philippine insurrection; to the Committee on Pensions.

By Mr. SWANK: A bill (H. R. 11010) to amend the statute relating to patent disclaimers; to the Committee on Patents.

By Mr. COCHRAN of Missouri: A bill (H. R. 11011) to establish a public-works administration and transfer to and consolidate and coordinate therein all the public-works activities of the Government; to the Committee on Expenditures in the Executive Departments.

By Mr. SHALLENBERGER: A bill (H. R. 11012) to promote the safety of employees and travelers upon railroads by compelling common carriers by railroad engaged in interstate and foreign commerce to man locomotives, trains, and other self-propelled engines or machines with competent employees, to provide the least number of men that may be employed on locomotives, trains, and other self-propelled engines or machines, to provide qualification for certain employees, and providing a penalty for the violation thereof; to the Committee on Interstate and Foreign Commerce.

By Mr. LUDLOW: A bill (H. R. 11013) to authorize retirement promotion of officers of the Army, Navy, Marine Corps, and Coast Guard in recognition of service in World War, Spanish-American War, Philippine insurrection, and Boxer rebellion; to the Committee on Military Affairs.

By Mr. JOHNSON of Oklahoma: A bill (H. R. 11014) to provide Federal aid for the terracing of lands in the watersheds of the tributary streams of the Mississippi River; to the Committee on Agriculture.

Also, a bill (H. R. 11015) to provide Federal aid for the construction of reservoirs on the tributary streams of the Mississippi River; to the Committee on Flood Control.

By Mr. SIROVICH: A bill (H. R. 11016) to limit the life of a patent to a term commencing with the date of the application; to the Committee on Patents.

By Mr. RICH: A bill (H. R. 11017) permitting single signature in patent applications and validating joint patent for sole invention; to the Committee on Patents.

By Mr. UNDERWOOD: A bill (H. R. 11018) to empower assignee of inventor to file divisional, continuation, renewal, or reissue application; to the Committee on Patents.

By Mr. KELLY of Illinois: A bill (H. R. 11019) to limit inventors to priority of two years before filing applications for patent; to the Committee on Patents.

By Mr. PATMAN: Resolution (H. Res. 177) to direct the Secretary of the Treasury to advise the House of Representatives what steps the Federal Reserve Board has taken to assist member banks of the Federal reserve system, and for other purposes; to the Committee on Banking and Currency.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of Rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. KEMP: A bill (H. R. 11020) authorizing the Louisiana Highway Commission to construct, maintain, and operate a free highway bridge across the Pearl River at or near Pearlinton, Miss.; to the Committee on Interstate and Foreign Commerce.

By Mr. BACHMANN: A bill (H. R. 11021) granting an increase of pension to Martha Alice Davis; to the Committee on Invalid Pensions.

By Mr. CARTER of California: A bill (H. R. 11022) for the relief of Felix Medler; to the Committee on Military Affairs.

Also, a bill (H. R. 11023) granting an increase of pension to John W. Redington; to the Committee on Pensions.

By Mr. CHAPMAN: A bill (H. R. 11024) for the relief of J. H. Trigg; to the Committee on Claims.

By Mr. DAVENPORT: A bill (H. R. 11025) granting an increase of pension to Sarah A. Boyce; to the Committee on Invalid Pensions.

By Mr. DOUGLAS of Arizona: A bill (H. R. 11026) granting an increase of pension to C. W. McFaddin; to the Committee on Pensions.

Also, a bill (H. R. 11027) for the relief of Alice Lovinia Crain; to the Committee on Military Affairs.

Also, a bill (H. R. 11028) for the relief of Aylmer R. Bell; to the Committee on Military Affairs.

Also, a bill (H. R. 11029) for the relief of Hamilton Grounds; to the Committee on Claims.

By Mr. GARRETT: A bill (H. R. 11030) for the relief of Jessie Robinson Coolidge; to the Committee on Claims.

By Mr. JOHNSON of Oklahoma: A bill (H. R. 11031) granting an increase of pension to Harriett Rose; to the Committee on Invalid Pensions.

By Mr. KELLY of Pennsylvania: A bill (H. R. 11032) for the relief of G. P. Ponti; to the Committee on Claims.

Also, a bill (H. R. 11033) to correct the naval record of Howard Barras; to the Committee on Naval Affairs.

By Mr. LAMBERTSON: A bill (H. R. 11034) granting an increase of pension to Mary M. Bannon; to the Committee on Invalid Pensions.

By Mr. MAY: A bill (H. R. 11035) for the relief of Price Huff; to the Committee on Military Affairs.

By Mr. NELSON of Wisconsin: A bill (H. R. 11036) granting an increase of pension to Edith Pullen; to the Committee on Invalid Pensions.

Also, a bill (H. R. 11037) granting an increase of pension to Martha Frankenfield; to the Committee on Invalid Pensions.

By Mr. PURNELL: A bill (H. R. 11038) granting an increase of pension to Louisa J. Wagoner; to the Committee on Invalid Pensions.

Also, a bill (H. R. 11039) granting an increase of pension to Elizabeth C. Hunter; to the Committee on Invalid Pensions.

By Mr. REILLY: A bill (H. R. 11040) granting an increase of pension to Lois Amelia Wilson; to the Committee on Invalid Pensions.

By Mr. SMITH of Virginia: A bill (H. R. 11041) for the relief of Lucy H. Doak; to the Committee on Claims.

By Mr. SMITH of West Virginia: A bill (H. R. 11042) granting a pension to Alice B. Cook; to the Committee on Pensions.

By Mr. TARVER: A bill (H. R. 11043) granting an increase of pension to Sarah A. Boman; to the Committee on Invalid Pensions.

By Mr. WEAVER: A bill (H. R. 11044) for the relief of Lloyd D. Rhodes; to the Committee on Military Affairs.

Also, a bill (H. R. 11045) for the relief of Claude B. Robinson; to the Committee on Naval Affairs.

Also, a bill (H. R. 11046) authorizing the United States Employees' Compensation Commission to consider the claim of O. G. Anderson; to the Committee on Claims.

By Mr. WYANT: A bill (H. R. 11047) granting an increase of pension to Catharine Campbell; to the Committee on Invalid Pensions.

Also, a bill (H. R. 11048) granting an increase of pension to Margaret J. May; to the Committee on Invalid Pensions.

Also, a bill (H. R. 11049) granting a pension to Nora Remaley; to the Committee on Invalid Pensions.

By Mr. HILL of Alabama: House joint resolution (H. J. Res. 349) granting permission to Capt. Kinsley W. Slauson, Quartermaster Corps, United States Army, to accept certain medals bestowed upon him by the Government of the Republic of France; to the Committee on Military Affairs.

PETITIONS, ETC.

Under clause 1 of Rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

5248. By Mr. BACON: Petition of the Merchants Association of New York, protesting against the enactment of the Glass bill for the amendment of the Federal reserve act, S. 4115; to the Committee on Banking and Currency.

5249. By Mr. BOEHNE: Petition of citizens of Evansville, Ill., requesting Congress to enact a law for the Federal supervision of motion pictures; to the Committee on the Judiciary.

5250. By Mr. BOHN: Petition of Pilgrim Lodge, No. 47, Independent Order of Odd Fellows, Houghton, Mich., requesting the adoption of a protective tariff on copper; to the Committee on Ways and Means.

5251. By Mr. CRAWL: Petition of Hollywood Unit, No. 27, United Veterans of the Republic, of Hollywood, Calif., favoring adequate appropriations for national defense; to the Committee on Military Affairs.

5252. Also, petition of hundreds of firms and citizens of Los Angeles, consisting of 264 telegrams, protesting against the imposition of a tax on the sale of securities on the stock exchange; to the Committee on Ways and Means.

5253. By Mr. GARRETT: Petition of citizens of Katy, Tex., protesting against the repeal of the eighteenth amendment; to the Committee on the Judiciary.

5254. By Mr. GOLDSBOROUGH: Petition of citizens of Salisbury, Md., protesting against compulsory Sunday observance; to the Committee on the District of Columbia.

5255. Also, petition of citizens of Greensboro, Md., and vicinity, protesting against compulsory Sunday observance; to the Committee on the District of Columbia.

5256. By Mr. JAMES: Telegram from Leo Robert, member of American Legion, Marquette, Mich., opposing any bill to reduce salaries of Federal employees; to the Committee on Expenditures in the Executive Departments.

5257. Also, telegram from Dan Vaughan, sr., of Marquette, Mich., protesting against reduction in the wages of the employees in the mail service; to the Committee on Expenditures in the Executive Departments.

5258. Also, telegram from L. A. Beaudry, of Marquette, Mich., opposing Federal employees' salary reduction; to the Committee on Expenditures in the Executive Departments.

5259. Also, telegram from R. L. Kendricks, of Marquette, Mich., opposing reduction of salaries of Federal employees; to the Committee on Expenditures in the Executive Departments.

5260. Also, telegram from J. L. Fine, of Marquette, Mich., opposing any bill to reduce salaries of Federal employees; to the Committee on Expenditures in the Executive Departments.

5261. Also, telegram from Andrew E. Peterson, dry-goods merchant, of Marquette, Mich., opposing cut of Federal salaries; to the Committee on Expenditures in the Executive Departments.

5262. Also, telegram from John T. Powers, of Marquette, Mich., opposing reduction of Federal employees' salaries; to the Committee on Expenditures in the Executive Departments.

5263. Also, telegram from H. H. Pellow, of Marquette, Mich., opposing reduction of salaries of Federal employees; to the Committee on Expenditures in the Executive Departments.

5264. Also, telegram from L. O. Hadley, of Marquette, Mich., soliciting support in defeating any measure to reduce Government employees' salaries; to the Committee on Expenditures in the Executive Departments.

5265. Also, telegram from Anderson & Luneau Meat Market, of Marquette, Mich., soliciting support in defeating any measure to reduce Government workers' salaries; to the Committee on Expenditures in the Executive Departments.

5266. Also, telegram from August Mellin, of Marquette, Mich., opposing reduction of salaries of Federal employees; to the Committee on Expenditures in the Executive Departments.

5267. Also, telegram from Silas C. Boucher, of Marquette, Mich., opposing reduction of Government salaries; to the Committee on Expenditures in the Executive Departments.

5268. Also, telegram from Flanigan Bros. Storage Co., of Marquette, Mich., protesting against reduction of Federal employees' salaries; to the Committee on Expenditures in the Executive Departments.

5269. Also, telegram from Felix Lucchesi, of Laurium, Mich., requesting tariff on copper; to the Committee on Expenditures in the Executive Departments.

5270. Also, telegram from Alex Onkka, Calumet Township treasurer, Calumet, Mich., requesting tariff on copper; to the Committee on Expenditures in the Executive Departments.

5271. By Mr. JOHNSON of Texas: Petition of 191 ex-service men and citizens of Corsicana and Navarro County, Tex., favoring immediate cash payment of adjusted-service certificates; to the Committee on Ways and Means.

5272. By Mr. KELLER: Petition of the John A. Logan Post, No. 347, American Legion, Carterville, Ill., urging the passage of the widows and orphans bill; to the Committee on Pensions.

5273. Also, petition of the Pinckneyville Rotary Club, of Pinckneyville, Ill., urging the passage of Senate bill 2793; to the Committee on Interstate and Foreign Commerce.

5274. By Mr. KELLY of Pennsylvania: Petition of citizens of Elizabeth, Pa., urging that the eighteenth amendment be maintained; to the Committee on the Judiciary.

5275. By Mr. KINZER: Resolution of citizens of Lancaster County, Pa., opposing excise tax on motor cars or the motor industry; to the Committee on Ways and Means.

5276. Also, resolution adopted by Oakryn Council, No. 196, Fraternal Patriotic Americans, representing 82 members, of White Rock, Lancaster County, Pa., urging support to House bill 9597 and House Joint Resolution 277; to the Committee on Immigration and Naturalization.

5277. By Mr. KVALE: Petition of Swift County Farmers Union, Minnesota, urging enactment of Senate bill 2487 and House bill 7797; to the Committee on Agriculture.

5278. Also, petition of Swift County Farmers Union, Minnesota, urging enactment of Senate bill 1197; to the Committee on Banking and Currency.

5279. Also, petition of Swift County Farmers Union, Minnesota, urging enactment of House bill 1; to the Committee on Ways and Means.

5280. Also, petition of Swift County Farmers Union, Minnesota, urging enactment of veterans' widows and orphans bill; to the Committee on Pensions.

5281. Also, petition of Post No. 227, American Legion, Danube, Minn., urging enactment of House bill 1; to the Committee on Ways and Means.

5282. Also, petition of Sophia L. Rice Auxiliary, No. 10, of Willmar, Minn., urging enactment of House bill 7230; to the Committee on Pensions.

5283. Also, petition of four American Legion posts in Mille Lacs County, Minn., urging immediate payment of the adjusted-service certificates; to the Committee on Ways and Means.

5284. Also, petition of four American Legion posts in Mille Lacs County, Minn., urging enactment of House bill 7230; to the Committee on Pensions.

5285. Also, petition of Adwell-Ashely Post, No. 180, Renville, Minn., urging immediate payment of the adjusted-service certificates; to the Committee on Ways and Means.

5286. Also, petition of Yellow Bank Union of Big Stone City, S. Dak., protesting against the sales tax and urging higher income taxes; to the Committee on Ways and Means.

5287. Also, petition of Messrs. Corbet, Green, Bolter, Soderstrom, Obenauer, Kinney, Jacobs, and Persons, of Minneapolis, Minn., urging enactment of House bill 1; to the Committee on Ways and Means.

5288. Also, petition of Allied Printing Trades Council of Minneapolis, protesting against reduction of wages of Federal employees; to the Committee on Appropriations.

5289. Also, petition of Chapter No. 203, Association of the Railroad Labor Organization, St. James, Minn., urging enactment of House bill 9891; to the Committee on Interstate and Foreign Commerce.

5290. Also, petition of Associated Brotherhoods, Montevideo, Minn., urging enactment of House bill 9891; to the Committee on Interstate and Foreign Commerce.

5291. By Mr. LAMBETH: Petition signed by 296 ex-service men and business men of Troy, Montgomery County, N. C., favoring immediate cash payment of the adjusted-

compensation certificates; to the Committee on Ways and Means.

5292. By Mr. LANKFORD of Georgia: Petition of members of the Woman's Christian Temperance Union of Douglas, Ga., opposing the resubmission of the eighteenth amendment to be ratified by the State conventions or by State legislatures; to the Committee on the Judiciary.

5293. By Mr. ROBINSON: Petition signed by about 70 citizens of the State of Iowa and employees of the Rock Island Railroad, urging the passage of House bill 9891, the railroad employees' national pension bill; to the Committee on Interstate and Foreign Commerce.

5294. Also, petition signed by W. J. Sutcliffe, of Waterloo, Iowa, and 31 other members of the Cedar Falls Gun Club, opposing the 1-cent tax on shells, and urging that same be defeated; to the Committee on Ways and Means.

5295. By Mr. RUDD: Petition of the Exchange Club, New Berlin, N. Y., favoring the passage of House bills 1967 and 5659; to the Committee on the Judiciary.

5296. Also, petition of the New York Typographical Union, No. 6, favoring the passage of House bill 8576, the Romjue bill; to the Committee on Ways and Means.

5297. Also, petition of the New York Tow Boat Exchange, New York City, opposing the transfer to the Administrator of Public Works all authority, duty, and details of the Department of War; to the Committee on Expenditures in the Executive Departments.

5298. Also, petition of the American Fur Merchants Association (Inc.), New York City, opposing the excise tax on furs; to the Committee on Ways and Means.

5299. Also, petition of Markay Waist House, New York City, opposing the manufacturers' sales tax; to the Committee on Ways and Means.

5300. Also, petition of New York State Automobile Association, Albany, N. Y., opposing the tax on gasoline and motor cars; to the Committee on Ways and Means.

5301. Also, petition of Ladies Auxiliary, United National Association of Post Office Clerks, Branch 2, Brooklyn, N. Y., opposing salary reduction of Federal employees; to the Committee on Expenditures in the Executive Departments.

5302. Also, petition of the Bar Association of Erie County, N. Y., 461 members voting in favor of repeal of the eighteenth amendment and Volstead Act and 50 voting against; to the Committee on the Judiciary.

5303. By Mr. SANDERS of New York: Petition of American Legion of Nunda, N. Y., favoring immediate cash payment of the adjusted-compensation certificates; to the Committee on Ways and Means.

5304. By Mr. SCHUETZ: Petition of Group No. 865 of the Polish National Alliance of the United States, memorializing Congress to proclaim October 11 of each year as General Pulaski's Memorial Day; to the Committee on the Judiciary.

5305. By Mr. WEST: Petition of William Kunkle and 28 other citizens of Columbus, Ohio, asking Congress to enact legislation to curb the activities of the growing monopolistic organizations throughout the country commonly known as the chain-store system; to the Committee on the Judiciary.

SENATE

FRIDAY, APRIL 1, 1932

(Legislative day of Wednesday, March 23, 1932)

The Senate met at 12 o'clock meridian, on the expiration of the recess.

The VICE PRESIDENT. The Senate will receive a message from the House of Representatives.

MESSAGE FROM THE HOUSE

A message from the House of Representatives by Mr. Haltigan, one of its clerks, announced that the House had concurred in the concurrent resolution (S. Con. Res. 23) requesting the President to return to the Senate the enrolled bill (S. 3322) to transfer certain jurisdiction from the War Department in the management of Indian country.